

House

Greener and
kinder living

How putting customers in charge can change everything



THE PRIME MINISTER'S INDEPENDENT REVIEW TO DEVELOP A PLAN FOR A MAJOR SCALING-UP OF SELF-COMMISSIONED NEW HOMES – ACROSS ALL TENURES – TO BOOST CAPACITY AND OVERALL HOUSING SUPPLY





BOTTOM UP MEETS TOP DOWN



"The crisis is not just in housing; it is in our thinking." *Kelvin Campbell, author of Making Massive Small Change*

"Why is it that the professions whose sole aim is to improve our towns and cities, have in the eyes of most people achieved quite the opposite? How is it that, with the best of intentions, we have created the worst of all outcomes?" *David Rudlin and Shruti Hemani, authors of Climax City*

"You never change things by fighting the existing reality. To change something, build a new model that makes the existing model obsolete." *Buckminster Fuller, architect*

"We need more homes and that's a fact. We need volume, light and character. We need liberated rules. We need imagination to unlock forgotten small plots. Shouldn't we all be developers?" *Roger Zogolovitch, architect, developer and founder of Solidspace*

"Many men that are homeless are actually veterans. Let's train these guys up. Let's empower these guys. In Bristol we've got evidence that if you train these individuals that were homeless they now contribute to society." *Claude Hendrickson, co-founder of the Community Self-Build Agency, now a Community-led housing adviser*

"I am not interested in self-build because I can't see how it will help me meet housing need." *A Local Councillor*

"If somebody becomes involved in being part of the solution to their problem, they are far more enthusiastic than anybody else". *John Gillespie, Custom and Self-build consultant*

"It is a dangerous thing to underestimate human potential and the energy which can be generated when people are given the opportunity to help themselves." *Rod Hackney, architect and former President of RIBA*

"We have a home inside us ready to be built if we try. It's a wonderful kind of confidence to discover that you can provide yourself shelter and offer warm hospitality." *Zach Klein, co-founder of Vimeo and CEO of Dwell*

"Bottom-up community-led projects are the most effective force – but they need proper organisation and support from the top. Such projects work best when both ends meet in the middle. Scaling up the entire movement needs to be founded on a desire to build communities of love." *Shannon Ledbetter, Chair of Housing People, Building Communities*

"Wenn sich Lieb und Kraft vermählen, lohnt den Menschen Gottergünst"
(When love and power unite, humanity earns the favour of the Gods) from *Beethoven's Choral Fantasy, Op.80, first performed in 1808*



Front cover photograph:

Justin and Linda Tyers self-built this two-bed home for just £67,000 under Exmoor National Park's affordable housing policy. The couple kept costs low by taking on much of the design and building work themselves.

Build Cost: £67,000

Build Time: 11 months

Location: Somerset

Photo Credit: Simon Maxwell
(Architect and Interiors Photographer)

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10 DOWNING STREET
LONDON SW1A 2AA

9 April 2021

THE PRIME MINISTER

Dear Richard,

Since 2010 there has been a considerable increase in housebuilding; and the number of homes being built since the lifting of the first period of national coronavirus restrictions continues to rise. But we need to do more, and be more dynamic, to continue this progress.

The way in which our housebuilding market operates constrains the supply of new homes because there is not enough competition and innovation. Unlike housing markets elsewhere in the world, there is a lack of consumer choice and diversity of supply.

Self-build and custom housebuilding can play a crucial role in increasing choice for consumers and ensuring people can live in the homes that they want, and that are designed to meet their needs. We know that self and custom builders deliver high quality, well-designed homes that are energy efficient, accessible, affordable, and welcomed by their communities.

The place for self and custom building has also been amplified by coronavirus. As we build back better and emerge from the pandemic, we need to push ahead with expanding access to opportunities in this market for more people. The Government has begun delivering policy interventions that help drive the required changes but we need to foster much wider awareness, capacity and delivery capability among consumers, landowners, planners, developers and among the providers of services and materials.

Working closely with Robert Jenrick MP, the Housing Secretary, I would like you to reach out nationally and internationally to consumers and stakeholders, to develop a plan for a major scaling up of self-commissioned new homes - across all tenures - to boost capacity and overall housing supply. This should include increasing the availability of serviced plots of land across England. This should be brought together into a report (Terms of Reference attached) that sets out up to 10 specific and implementable recommendations to inform Government policy.

Coronavirus has highlighted the importance of the places we all call home. Our homes should maximise our creativity, our productivity, and the quality of our lives. I am convinced, as I know you are, of the role of self-build in this ambition, and as such I look forward to your proposals. I would be grateful if you could report back to me by **Friday 23 July**.

Yours
Sincerely
Boris

TERMS OF REFERENCE

The Terms of Reference for the Report should be as follows:

- Outlining the **policy progress to date**. Ensuring appropriate conditions for the growth of the market have been created and they fit with wider housing policy;
- A review of **international self-commissioned new build markets in developed economies**, seeking to understand how the experience of the successful models in these markets could translate to inward investment and increased activity within the UK **this should include updated and robust data for international comparison**;
- A route map on how the different parts of the existing UK housing market, construction sectors and associated services can revisit their business models to benefit from the opportunities that exist, and how Homes England can support and champion this change;
- Investigating the **desire within the population** to self-commission a home of their own in a sustainable way and how this can best be unlocked and realised;
- The role that **information and exemplars** can play in spreading public knowledge;
- Opportunities for **more imaginative use of public land** to build more homes for those serving in the NHS and other public services, the armed forces and veterans, as well as helping to deliver housing for the poor, the homeless and the marginalised, including ex-offenders.

MHCLG will provide an official to provide a contact base in MHCLG and secretariat support. MHCLG will make a small RDEL budget up to £40,000 available to provide expert and technical support for the Report via the Right to Build Task Force. You should provide a breakdown of the resourcing requirement to MHCLG by return.

The Housing Minister will chair a fortnightly steering group with representatives from HM Treasury and No10 to provide you with appropriate support, including Emma Fraser as Senior Responsible Officer.



Introduction

England is blessed with some of the most beautiful villages, towns and cities in the world. Our forebears possessed an instinctive talent for making great places, yet somehow this is an art we have almost entirely forgotten.

A gap has opened up between the places we want to see and those we actually create. Instead of beauty and a natural order, we see a sterile sameness almost everywhere we look. Rather than an architecture displaying a rich array of local vernaculars we can celebrate and honour, crafted using traditional materials and skills with a distinct sense of place – and even become a way of affirming identity and belonging – we see instead a crushing of imagination, with houses designed by accountants. We are failing to create the listed buildings of tomorrow.

The consequences are stark. Quite simply, new housing is feared. In no other time in our history would housing be thought of as pollution. Our country has a growing population, an aging housing stock and a younger generation who have been priced out of home ownership – and for whom even renting a home costs far too high a proportion of their income. We need to build more new homes.

There is of course a proper concern that we should protect our beautiful countryside – but opposition to new housing is chiefly a *cri de coeur* against the second-rate, the environmentally damaging and the bland. Instead of new housing that most people want, we have a soulless monoculture. One witness in my Review commented that “the planning system rewards mediocrity” – and people are entirely right to object to mediocrity. Yet the conse-

quences are that for decades we have not built enough houses – and this is tearing deep fissures into the fabric of our society.

There is a solution. It involves creating the conditions in which customers are treated as if they matter the most, rather than – for the most part – scarcely mattering at all. And this is what happens when people themselves commission the houses they would like to see.

Homes England – whose remit includes making markets – has a key role to play in kickstarting this market – and my core recommendation is that a Custom & Self-Build Delivery Unit should be established with a mandate to deliver the required changes, staffed by skilled professionals with deep experience of delivering custom and self-build projects for customers across all tenures.

When we have fully opened up the housing market and the planning process to the power of consumer choice, we will see more great places being developed which are warmly welcomed by their communities, with beautiful and more spacious houses, at keener prices – and that are better designed, better built, greener and which cost less to run, which enrich the lives of the people who live there – while driving innovation and inward investment. And when afterwards we have done this, we will look back and wonder why it took us so long.

I wish to record my enormous gratitude to Chamberlain Walker Economics – a specialist economics consultancy with a deep knowledge of housing, infrastructure and local growth – for the detailed economic analysis which begins on page 68. A full list of acknowledgments is on page 106.

Bristol has some excellent eco-housing projects which reduced their carbon emissions significantly. One of the best is the city's first purpose-build co-housing development and the first project to pilot self-build for rented accommodation, The Courtyard in the Montpellier neighbourhood. The first project led by Bright Green Futures, it comprises four rental flats which the tenants designed themselves and some tenants physically helped to build.

The homes are the first in Bristol to be awarded an A-rating for both energy efficiency and environmental impact on their energy certificate. The project won the second prize of the South West Energy Efficiency and Retrofit Award 2016 for "Best Large Project" and illustrates how much can be achieved from the grassroots with a few dedicated individuals.

The scheme delivered zero carbon without public subsidy whilst delivering good returns to investors.



What is Self-build and Custom housebuilding?

Many people are unaware that each year in the United Kingdom several thousand houses are commissioned to order by the customer who will live in the house once it is completed. In the UK around 13,000 houses are built this way annually. This makes self and custom housebuilding in the UK collectively equivalent in size to one of the larger national housebuilders – if it were ranked with them it would probably come fourth or fifth. Self-commissioned housing is much more common overseas, often accounting for a third of total housing supply and, in some cases, such as in Germany, it is the dominant method of delivering new housing (55%).

But what does “self and custom housebuilding” actually mean? Self-build and custom housebuilding are terms commonly used to describe a home that is built to the design and specifications of the person who will live there – the occupant. Self-build and custom housebuilding are defined within the Self-Build & Custom Housebuilding Act 2015 (as amended by the Housing & Planning Act 2016).

Many prefer the term “self-commissioned housing” which is clearer. In practice the self-commissioned housing market is a spectrum. At one extreme, people may find a plot and undertake every element of the build themselves – a home that is literally self-built. At the other extreme, people may select a model home from a catalogue and have it erected for them on their chosen serviced plot, which they have purchased from a landowner or builder. What both approaches have in common is that it is the customer who makes the key design and layout decisions, rather than a developer building

a home speculatively in the hope that, at some point, someone might like it enough to buy it.

“Self-build” is increasingly associated with a home built on a single plot. By contrast, “custom build” involves homes built by professionals on behalf of new homeowners on permissioned serviced plots in line with a framework of rules that define the nature and delivery of the site.

Self-build and custom housebuilding is often associated with detached homes but has proven that it can deliver semi-detached, terraced rows of townhouses, conversions of existing buildings and even high rise apartment blocks (see page 55). Clearly such developments result in some limits to the choices available to occupants. For example, an apartment block may fully define the external look of the building and only offer interior layout options and fitting out of a shell to the occupier’s design specification.

Custom build suppliers encourage customer choice and it is integral to the sales process and maximised where possible. This is not just about kitchen or bathroom tiles or paint colours but offers choices over room layouts, design specifications and the ability to customise the home to suit an occupier’s needs.

Self-commissioned housing can also deliver affordable housing under a range of tenures, from intermediate affordable housing such as discount market sale and First Homes to shared ownership and even rental properties.

This may involve occupiers moving into a customisable property which they have finished to their design requirements with “sweat equity” that is offset against the cost of a deposit. In other cases, the occupants may even build the homes themselves.

My Recommendations

Recommendation 1: Greater role for Homes England

The Government should create a new Custom and Self-Build Housing Delivery Unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of custom and self-build housing at scale across the country.

Recommendation 2: Raise Awareness of the Right to Build

The Government, working through Homes England in partnership with the custom and self-build industry, should create a custom and self-build housing Show Park and should strengthen existing legislation to mandate the wider publicity of Self-build and Custom Housebuilding Registers and the sharing of key data between willing landowners and people on registers.

Recommendation 3: Support Community-Led Housing, Diversity of Supply and Levelling Up

The Government should reignite the successful Community Housing Fund; create accessible opportunities for communities to help themselves by introducing a Self-Help Housing Programme; and introduce a Plot to Rent Scheme.

Recommendation 4: Promote Greener homes and more use of advanced manufacturing

The Government should recognise and support the pathfinding role of the custom and self-build housing sector in advanced manufacturing and in greener homes to accelerate the delivery of its wider Modern Methods of Construction and Net Zero Housing ambitions.

Recommendation 5: Support Custom and Self-build housebuilding through the Planning Reforms

The Government should ensure that the planning reforms in its White Paper Planning for the future maximise the opportunities for access to permissioned land for CSB across all tenures, including making focussed changes to the Right to Build legislation to ensure that it achieves its objectives.

Recommendation 6: Iron out any tax creases

The Government should investigate the perceived disadvantages in the tax system between the CSB delivery model and other forms of housing, identifying specific actions where necessary to neutralise them.

DETAILED RECOMMENDATIONS

Recommendation 1: Greater role for Homes England

The Government should create a new Custom and Self-Build Housing Delivery Unit within Homes England to enable the creation of serviced building plots on small and large sites and support the delivery of custom and self-build housing (CSB) at scale across the country. To deliver this, Homes England would:

- a) Establish a CSB Housing Delivery Unit which would procure and dispose of serviced building plots on public and private land, working with SME builders and taking account of market demand, underpinned by a clear procurement framework and delivery strategy agreed with Ministers, with an ambition to include CSB on all large sites as part of the housing mix;
- b) Direct investment into CSB enablers, Development Corporations and Local Authorities and ensure strong CSB representation on the new Dynamic Partnership System for public land procurement;
- c) Launch the new Help to Build Equity Loan by September 2021;
- d) Work with the Ministry for Housing, Communities and Local Government and One Public Estate to extend and simplify access to the Brownfield land release fund for the creation of serviced building plots;
- e) Retain access to the Home Building Fund for CSB projects and ensure the Community Housing Fund remains effective and targets the right projects; and
- f) Work with the proposed 'Centre of Excellence' for Modern Methods of Construction to promote effective CSB delivery.

Recommendation 2: Raise Awareness of the Right to Build

The Government, working through Homes England in partnership with the custom and self-build industry, should create a custom and self-build housing Show Park and should strengthen existing legislation to mandate the wider publicity of Self-build and Custom Housebuilding Registers and the sharing of key data between willing

landowners and people on registers. To deliver this, the Government would:

- a) With the support of Homes England and in partnership with the CSB industry, establish a Destination Show Park and Hub with Show Homes (preferably on public land or with a willing landowner) which can showcase manufacturing and assembly capabilities and has meeting space facilities, designed to sell the Show Homes as part of a new neighbourhood over time and with the ambition to develop further Destination Show Parks as the CSB sector grows;
- b) As part of Recommendation 5(g), mandate that 'relevant authorities' widely promote their statutory Self-build and Custom Housebuilding Registers and that they share demand data and information on suitable development permissions between willing people on the register and landowners and project promoters;
- c) Launch a consumer marketing campaign and associated website providing public information on:
 - Custom and Self Build Opportunities with links to all partners bringing forward serviced plots for custom and self build on public sector land, including opportunities for people to join community-led housing schemes and affordable CSB schemes via Community-led Housing Hubs
 - Help to Build Loan Fund with links to partners offering the Help to Build Equity Loan and information on the scheme
 - Right to Build Registers to explain how Self-build and Custom Housebuilding registers work for individuals and associations of individuals, with links to all local authority Registers and published performance data for each local authority
 - Show Homes with information on where the public can visit CSB show homes and how to book a visit

Recommendation 3: Support Community-Led Housing, Diversity of Supply and Levelling Up

The Government should reignite the successful Community Housing Fund; create accessible opportunities for communities to help themselves by introducing a Self-Help Housing Programme; and introduce a Plot to Rent Scheme. To deliver

this, the Government would:

a) Offer targeted funding to support the growth of Community-led Housing Hubs and consolidate support and responsibility for Community-led Housing into the proposed new Homes England Custom and Self-Build Housing Delivery Unit, with a boosted funding model;

b) Make Community-led housing an integrated part of the Affordable Homes Programme (AHP) with predictable long-term finance and an ambition to allocate 10% of annual AHP funding to empower low income and often marginalised people to become part of the solution to their own problems, which could include:

- Funding local specialist registered providers with a focus on CSB to buy suitable sites and act as project enablers; and reinforcing the strength and success already demonstrated by the Community-led housing Hubs;
 - Creating a Small Sites Programme as a new umbrella for the plethora of small and often overlooked sites owned by housing associations, encouraging the use of Local Development Orders extending over clusters of small sites to eliminate planning risk, while ensuring that a wide range of participants have access to the sites, including community groups, co-operatives, co-housing groups and individuals.
 - Enabling people to build their own homes using 'sweat equity', under supervision, while creating and fostering local opportunities for employment, training and enterprise;
 - Offering repayable loan finance to suitable charitable organisations – such as Housing People, Building Communities; Leeds Community Housing; Wigan Armed Forces HQ; and many similar groups across England; and
- c)** Introduce a Plot to Rent Scheme with a Rent-Now-Buy-Later option, modelled on international experience.

Recommendation 4: Promote Greener homes and more use of advanced manufacturing

The Government should recognise and support the pathfinding role of the custom and self-build housing sector in advanced manufacturing and in greener

homes to accelerate the delivery of its wider Modern Methods of Construction and Net Zero Housing ambitions. To deliver this, the Government would:

a) Ensure that CSB is embedded into the work of the new Modern Methods of Construction Task Force and its actions and that this work in turn supports the growth of the missing market for customisable housing;

b) Ensure that the momentum towards achieving Net Zero house building is sustained by working with the custom and self-build sector to address the current constraints with regard to increasing the safe use of timber in low rise housing, learning from significant progress already made in Scotland;

c) Recognising strong investor interest in Environmental and Social Governance (ESG), encourage innovation and realignment towards use of greener building materials, while raising awareness among lenders, valuers, and insurers of the environmental benefits of CSB compared with existing housing stock;

d) Encourage greener mortgage product design and changes to mortgage affordability calculations to reflect the expected energy costs of a new home rather than the average energy costs for an existing home, and in doing so support greater initial investment in greener homes; and

e) Sponsor and support research and engagement with organisations such as the Manufacturing Technology Centre and others, to apply more effectively the engineering insights and learnings already available from the aerospace and automotive sectors to the way in which houses are constructed.

Recommendation 5: Support Custom and Self-build housebuilding through the Planning Reforms

The Government should ensure that the planning reforms in its White Paper Planning for the future maximise the opportunities for access to permissioned land for CSB across all tenures, including making focussed changes to the Right to Build

legislation to ensure that it achieves its objectives. To deliver this, the Government would ensure that the forthcoming planning reforms:

- a)** Extend the opportunities for the specific designation of land for CSB housing in the proposed area-based planning system, using Design Codes for CSB housing across all appropriate designations;
- b)** Set a target for local planning authorities to provide for serviced plots unless market demand (not Register demand) can be shown to be regularly met and there are deliverable allocations in new style local plans to meet this demand;
- c)** Give substantial weight to CSB as a material consideration in the revised National Planning Policy Framework;
- d)** Facilitate local authorities to take a more interventionist approach to bring forward land for CSB and SME home builders by running pilot programmes to support councils in land assembly to create serviced building plots for new housing as part of the new-style local plan land allocations process
- e)** Ensure assembled sites come forward quickly and are deliverable and plan-led, by enabling new-style local plans to be partially amended through the designation of a Land Assembly Partnership Zone or Area; embed the learning from the pilot programmes and roll the process out nationally by:
 - (a) setting out in guidance/policy or a suitable statutory instrument the assembly process which should be followed, similar to Guidance on the compulsory purchase process; and
 - (b) provide ongoing favourable loan funding to service and assemble the sites, which is repaid when plots are sold;
- f)** Allow minor changes to new style local plans following a streamlined process, if a development on the edge of a settlement/urban area provides for small scale CSB plots, and for councils to set locally-specific policies for this;
- g)** Make minor changes to the Self-build and Custom Housebuilding Act 2015, where possible through secondary legislation, to clarify the definition of custom and self-build housebuilding; what counts towards giving suitable development permissions and how the 'duty to provide' is measured; remove the use of fees and eligibility criteria;

introduce a clear sanction if the demand on the registers is not met; and link under-delivery to the Presumption in Favour of Sustainable Development (or its replacement under the planning reforms); ensure there is an obligatory annual monitoring requirement placed on authorities; and, clarify how planning obligations can be used to secure CSB development in planning terms, including how plots should be marketed before they are able to be built out for market housing;

- h)** Introduce a targeted exception and windfall site policy which enables custom and self-build housing on unplanned housing sites in rural areas and on sites adjacent to existing settlements; and
- i)** Introduce a commitment that Government will publish annual monitoring data of demand on Self-build and Custom Housebuilding registers and delivery against meeting this demand, for each relevant authority.

Recommendation 6: Iron out any tax creases

The Government should investigate the perceived disadvantages in the tax system between the CSB delivery model and other forms of housing, identifying specific actions where necessary to neutralise them. To deliver this, the Government would:

- a)** Engage the Treasury and HM Revenue & Customs to work with the CSB sector to identify any potential imbalances in the tax system which may disincentivise serviced plots for custom and self-build housing;
- b)** Consider the actions needed to address any issues identified, with due regard to any fiscal impact and wider implications of any changes;
- c)** Give guidance to Councils to clarify how they can treat the creation and sale of building plots for VAT purposes;
- d)** Recognise that there are unintended challenges in applying the current Community Infrastructure Levy 'self-build' exemption to CSB apartments, terraces and semi-detached homes and work with the CSB sector to identify ways in which such forms of CSB can benefit from the exemption, as part of the Government's review of developer contributions.





Chapter one

Ensuring the right conditions

We face a real threat of Two Nations. The stakes could not be higher. The current housing situation threatens labour mobility and the prosperity of the wider economy. It is already a strategic problem affecting major employers who want to hire the best staff. It is now causing couples to postpone having children because of worries about how they will ever afford suitable accommodation for a family. It is eroding social capital and could easily foment political unrest and extremism.

We are in danger of becoming Two Nations – one nation in which a whole generation struggles to find somewhere to afford to live at all, while the other adds to its buy-to-let portfolio. Children born in the 1980s are the first since the War to be worse off than their predecessors. As Douglas Murray writes: “It is not clear why a generation which can’t accumulate capital should have any great love of capitalism. And it isn’t hard to work out why a generation who believe they may never own a home could be attracted to an ideological world view which promises to sort out every ineq-

uity not just in their own lives but every inequity on earth”ⁱ. The economics commentator Martin Wolf has broodingly observed that “Once people are deprived of hope for a better life for themselves and their children, societies based on consent are likely to founder”ⁱⁱ. And as Nicholas Boys Smith has recently asked: “Is it surprising that the politics of so many of the educated urban young are becoming so flippantly revolutionary? What do they have to lose?”ⁱⁱⁱ

Iron Curtain

However, almost like a Soviet state, the status quo in housing persists because over many years the population has come to believe that there is no alternative; they think that – for all the obvious flaws – people must simply learn to live with things as they are. Open our eyes and look further afield and we will see that this does not need to be the case. The United Kingdom – and England in particular – operates its housing model differently from any other country in the world. We are on the wrong side of our own Iron Curtain.

Until the mass social housebuilding projects of the 20th century, England historically left the delivery of new homes to individual enterprise and private philanthropists, while local authorities installed essential infrastructure such as roads, water and sewerage. In theory, we should have for the new homes market plenty of competition and innovation, delivering wide choice to consumers with high quality and good value, as happens in most other areas of the economy.

The Five Year Plan

It might therefore seem ironic that current new housing often exhibits many of the characteristics of the old Soviet-style plan-led economies – famously characterised by scarcity, low quality, homogeneity and a lack of innovation – in motoring terms, the housing equivalents of the Trabant, the

Lada and the Skoda. Until, that is, one acknowledges that at the heart of our broken housing market lies a “Five Year” plan-led system which since 1947 has nationalised the control of development land.

Intellectual failings

The same intellectual failings that ultimately brought down the Iron Curtain have left us with a system that is deeply inefficient at allocating land for housing in the places people want to live, or matching supply with demand. And the story of what happened to Skoda once it was liberated shows what is possible. Some 75 years after the decision to nationalise development rights we can see the result: for the very item on which customers spend the largest proportion of their incomes – their homes – they hold the least consumer power.

As a former motoring correspondent of *GQ* magazine – and an instinctive believer in the huge benefits of free enterprise and free markets, with an accompanying mindfulness of what John Kay has called “their genius, their limits, their follies” – you will be fully aware that the supply of nearly

*“Instead of beauty and
a natural order, we see
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everywhere we look”*

everything from Ford Fiestas to Ferraris rises to meet the demand – and that, in a functioning system, it is demand which drives volume, whether for food or shoes or anything else. We all need food – indeed, one dies without it – yet no one has said we need a National Food Service, or a National Shoe Service for that matter.

Rationing the means of production within an otherwise free market has led to the virtual monopolisation of those means, and the result is a

system in which big housebuilders chiefly compete not in the market for new homes but in the market for *land*. I discuss this important phenomenon in greater detail in Chapter Six. Land rationing has inflated prices, suppressed the size of new homes and gardens, blunted innovation and constrained output. Moreover, this has become hard-wired into the system. Apparently, we are just supposed to accept that land comes forward almost exclusively as large strategic sites. And we are also just supposed to accept, apparently, that individuals, communities and small builders wishing to build homes – as they have done for centuries – simply cannot access the land market. To be clear, I am not arguing for an Austrian or Chicago School free-for-all. There would be very little support for that. Indeed, we need muscular State action to correct the mistakes of the past, but in a different way.

It is popular to lay the blame at the door of the volume housebuilders, with their landbanks, super-normal profits and bland output, but this uniquely British model has evolved as a natural response to a system that controls the means of production. A decision made at the height of post-war idealism, but now discredited in almost every other part of the economy, still prevails at the heart of one of the most fundamental and important industries in England, a system which – in a very un-English way – bestows permissions in lieu of rights.

Smaller building firms

As recently as the 1980s, small and medium sized housebuilders built two thirds of all houses. These smaller players – who successfully met local demand and who, crucially, depended on their local reputation for future sales – now deliver barely 12% of new housing stock. Smaller builders were extremely hard hit by the financial crash and have largely been squeezed out by very big companies who can afford the time and cost involved in negotiating a path through the complex thickets of

the planning system. The government has noted the plight of smaller building firms and has taken steps to bolster their position and offer new sources of funding, such as the Home Building Fund. Nonetheless, the position for smaller builders remains a difficult one – and some even told this Review that if they were starting out in business now, they would not start.

But it is no use blaming the big housebuilders. Mere exhortations that these private businesses must “do their duty” by building more houses, more quickly, are intellectually woolly and will fall on deaf ears. As major companies they are already doing their duty – their fiduciary duty to their shareholders – and the fact that these companies have vastly reduced in number while

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growing hugely in size – and that the SME Builder sector has nearly been destroyed – is a direct consequence of a regulatory environment which is both exceptionally complex and fraught with risk, so that the gaining of planning consents requires both very deep pockets and the ability to bear significant risks over very long periods of time. The concentration of most housebuilding into fewer and fewer hands is simply an evolutionary response by housebuilders to the regulatory environment in which they are required to operate. And to change the course of evolution, one must change the conditions.

The structural weaknesses in our system are not for lack of ink on paper – or of talk. In a seemingly endless cycle of consultations about consultations, we ask almost everyone for their views

on housing: councillors, planners, landowners, housebuilders, local residents who already have a home, electricity suppliers, water undertakers, builders' merchants, campaigners for rural England, and many more.

Customers

Oddly, the one group we don't seem to listen to are the people who need somewhere to live. In other walks of life we call these people customers – and listening to customers works quite well in most areas of life we care about. An important point is that “Customer” should mean *anyone* who needs somewhere to live. This includes ordinary people on normal incomes who want to own their own home – and who are currently watching a natural aspiration turn into a distant and impossible dream – as well as those who currently can't even dream of home ownership at all because they are simply desperate for a decent home of any kind, including the poor, the marginalised, the homeless and ex-offenders. All are customers of the housing system in the simple sense that they all need somewhere to live – and if they all had some customer power, we could change things much more quickly.

“Low quality, scarcity, homogeneity and a lack of innovation were features of Soviet Five Year Plans, just like our new housing”

We need to put customers and their choices back at the heart of the process, where they belong:- “In some respects we have more choice than you can shake a stick at. We can watch anything anywhere any time. We can zoom off to AirBNBs on cheapo flights. Our food is better, our cars are

faster and safer, our life expectancy is certainly a lot longer. And yet there is one huge difference between our generation and the millennials out there. One cardinal way in which opportunity has declined. And that is in the scope and power of the younger generation, with their own resources, to buy somewhere to live that they can call their own. It is a disgraceful fact that we now have lower rates of owner occupation – for under 40s – than the French or the Germans. That reflects the failure of governments for the last 30 years to build enough housing”.

True words. Indeed, *your* words, in a speech you gave on 2 October 2018. It is now very clear that new approaches are needed. In a quest for mere numbers – and those often no more than figures in a theoretical plan, not real houses – we have forgotten about people, about their hopes and dreams, their astonishing creativity and their need to belong. If we are to build more houses in England – and we very much need to – then we have to do things differently.

The government observed in its 2017 white paper that the housing shortage isn't a looming crisis, a distant threat that will become a problem if we fail to act; we are already living in it. That white paper also noted that this is “a problem that won't solve itself.” And while there has been progress in housebuilding recently, the greatest advances have been in our thinking.

Beauty

The landmark report *Living with Beauty* – published last year by the Building Beautiful, Building Better Commission – set a very helpful new tone. The Commission cited Dame Fiona Reynolds: “Today to talk of beauty in policy circles risks embarrassment: it is felt to be too vague a word, lacking precision and focus....yet in losing the word ‘beauty’ we have lost something special from our ability to shape our present and our future”. People now increasingly understand that – far from being embarrassing – beauty is an

essential lens through which to see our housing problems if we wish to solve them. Put shortly, if we want “development” to be a good word, we must have good development.

Wisdom

The old wisdom of how to do things well is slowly being recovered. Ancient civilisations across the world with no connection to one another solved the problems of producing liveable human settlements in very similar ways, as the urban thinkers David Rudlin and Shruti Hemani have pointed out. Architectural designers such as Charlie Luxton and social entrepreneurs such as Nicholas Boys Smith – a co-author of *Living with Beauty* –

*One witness in my
Review commented that
“the planning system
rewards mediocrity”*

have shown us that asking people what they actually want and involving them in decisions delivers very different outcomes, with much better public space and much better places – real places with middles. The Duchy of Cornwall has shown that creating homes for a wide range of people – with mixed incomes and mixed tenures in walkable places – leads to new jobs and transforms how human beings live. Nicholas Boys Smith rightly concludes that we should spend less time asking how to build more houses and more time thinking about how to make houses more popular.

Evidence from across the world shows that self-commissioning of homes is the norm for homes of all types and tenures. It is used to deliver high rise developments, terraces, squares and floating homes, as well as detached houses. It is used in the renovation and conversion of existing

buildings. It is used to deliver affordable housing including both affordable home ownership and affordable rent. It is used by community groups and mutual housing co-operatives. These homes are built within frameworks that are able to balance consumer choices with wider community needs. These are homes that can look the same on the outside but be very different on the inside with regards to design and use of space. Self-build homes range from ultra-modern methods of construction built in high-tech off-site factories through to bespoke artisan homes which are constructed in local materials by local craftsmen.

There will be a greater appetite for new homes if more people wish to live in them. Over half of SME builders in England have built a self-commissioned home in the last year. These homes are better built, greener, longer lasting, and more beautiful than the products of the largest house-builders. The benefits of home ownership have been long recognised and actively encouraged. It is indisputably true that these benefits are maximised when homeowners have homes that are best suited to their own needs. And people’s needs are defined not just by the number of bedrooms but by many other things too: their physical and mental needs, their values, lifestyles and tastes, by the need to be able to work at home – so clearly amplified by the recent pandemic – and by care for their family, their community and their concern for the planet. Yet we have failed to follow the path to its natural conclusion at the point at which we have the greatest opportunity to do so – that is, when the home is built. Our diverse population is being failed by a speculative house-building model focused on delivering the smallest number of different home types to the largest groups.

More people^{iv} want to build their own homes than to buy new ones^v but they face a system which is heavily stacked against them – not least

the availability of land and finance and also the hostility of some planning authorities who prefer dealing with a small number of large national housebuilders. Just 2% of the public trust developers and only 7% of the public trust local authoritiesⁱⁱⁱ when it comes to large-scale development but we seem to place more trust in a planner's tick box sheet than in homeowners' own judgements. There is a missing market.

Power

A significant part of the solution is to deliver a shift in power from planners and providers to home occupiers – *whatever their tenure*. Change is delivered through a shift towards the self-commissioning of homes – what we call Custom and Self-Build – or CSB. The simplest, quickest and cheapest way to do this – although of course it is not the only wayⁱⁱⁱ – is through muscular action by the State on public land to provide serviced plots of land everywhere so that people can have real choice. And the good news is that change has successfully happened elsewhere. This does not need to be any more complicated than ordering a new car, where customers expect and get a high

*“We need permissioned
and serviced plots of land
available everywhere
to allow consumers to
make real choices”*

level of personal specification. The Netherlands is now delivering 15,000 homes per year in this way. If we were achieving at the same rate as The Netherlands, the UK would – given our larger size – be delivering 60,000 houses per year in addition to existing new housing stock.

Pandemic

As you indicate in your letter to me, the coronavirus pandemic has highlighted the importance of the place we call home. Indeed, the combined effects of the pandemic and over 20 years of using the internet to work remotely have thrown up enormous questions about the nature of Place and Work and Real Estate. As recently as the 1980s, a shiny new retail shopping centre or a new commercial office block looked like good investments. Not now. And when the John Lewis Partnership announces – as it recently did – that it plans to build 10,000 homes, one knows that the tectonic plates are starting to shift around. Yet this turbulence also gives us huge opportunities to reimagine and to repurpose the places around us. Churchill famously said “We shape our buildings and thereafter they shape us”. We now have an unparalleled opportunity to reimagine our built environment in ways which will help us shape our futures together.

Governments alone cannot solve these problems. Indeed, it would be a form of lunacy to imagine that this can be done from the top down – without widespread and genuine participation by ordinary people. But as Kelvin Campbell proposes, by changing our thinking, practices and language we can create space where governments and people can work together to achieve a transformation that neither could achieve alone.

Interestingly, at the same time, fund managers are now thinking harder than ever about how to invest in residential dwellings of all types and tenures at a scale which makes sense for them – so we may see a world emerging where the transformation is guided by the people and their government working together, with much of the money to pay for the changes coming from pension funds looking for safe very long-term investments.

In accordance with my terms of reference, the

format of this report is as follows: first the report looks at the story of custom and self-build so far and the nature of government support in recent years. Then the report examines the desire within

“One knows the tectonic plates are shifting when John Lewis Partnership announces plans to build 10,000 new homes”

our population to commission their own homes. After this, the report looks at how information and exemplars may be used to help raise awareness. Then we see what might be done using land the public already owns. We also examine what can be learned from overseas. And finally, the report charts a path to delivering real change that works.

The central problem we face is that too few people wish to buy the new homes that are being built. Our housing delivery system has become increasingly hard-wired in favour of one particular model of limited appeal. Ready access to permissioned and serviced land for those offering real customer choice is at the heart of the solution. Delivering genuine consumer choice is economically viable and delivers better outcomes – just look at what happens elsewhere in the developed world and indeed in the car market. But offering real choice won’t just happen if it remains very difficult to do. Indeed, the government acknowledges that our housing crisis is “a problem that won’t solve itself.”

The two biggest risks facing those who wish to build a house are the very significant infrastructure risk – someone has to put in the roads, water and other service such as electricity and broadband – and the planning risk – which is unendurable for

many, particularly for smaller builders and individuals. If we genuinely want to see a solution to England’s housing problems, then we must remove the risks around infrastructure – a proper public function – and create certainty around planning so that the system is predictable – as should happen anyway in a rule-based system. We need permissioned and serviced plots of land to be readily available everywhere and then to allow consumers to make real choices. Moreover, there is clear evidence that consumers with free choices commission much greener houses with lower running costs. Increasing consumer choice will therefore assist the government in meeting its climate change commitments, which will not be met without significant changes to how we build houses.

Custom & Self-Build Delivery Unit

Homes England – whose remit includes making markets – has a key role to play in kickstarting this market – and my core recommendation is that a Custom & Self-Build Delivery Unit should be established with a mandate to deliver the required changes, staffed by a small team of skilled professionals who have wide experience of delivering custom and self-build projects for customers, and reporting directly to Homes England’s chief executive and chief investment officer.

I wish to record my enormous gratitude to Chamberlain Walker Economics – a specialist economics consultancy with a deep knowledge of housing, infrastructure and local growth – for the detailed economic analysis which begins on page 68. A full list of acknowledgments is on page 106. I believe that answers are now within our grasp to the fundamental questions of how to create great new places that are welcomed their communities rather than feared. And at the heart of any successful new approach one thing stands out. Talk to the end users – the *customers*.

Custom & Self Build

the Story So Far

Since 2011, the Government has introduced several progressive measures to boost the self-build and custom housebuilding sector (CSB), focussing on overcoming key barriers relating to land, finance and bridging the knowledge gap on effective delivery. These included legislation, planning policy and guidance to bring forward more land; financial support for self-builders, councils, land-owners, builders and building groups; a vanguard programme of supportive councils and pilot projects on public land; support through an industry-led Task Force; and, promoting development quality.

In January 2011, as part of its plans to increase housebuilding, the Government asked the self-build industry to work with the Department of Communities and Local Government to consider what was needed to help more ordinary people in England to build their own homes. In July 2011, the Self-Build Government-Industry Working Group published, 'An Action Plan to Promote the Growth of Self-Build Housing', which set out a vision statement for the CSB sector with 29 specific actions to create a 'self-build revolution'. These actions informed the Government's November 2011 Housing Strategy, 'Laying the Foundations: A Housing Strategy for England', which set out plans to make self-commissioned homebuilding a mainstream housing option and help build affordable, greener and innovatively designed homes. The Housing Strategy set an aspiration to unlock the growth potential of the custom homes market and double its size, to create up to 100,000 additional custom-build homes over the next decade and enable the industry to support up to 50,000 jobs. In line with the Housing Strategy, the Government published its first National Planning Policy Framework (NPPF) in March 2012 asking all local planning authorities to assess the local needs of those that want to build their own home and plan to meet these needs through local plans and planning decisions. This action was followed by legislative changes to exempt self-builders from the Community Infrastructure Levy (CIL), which came

into effect in February 2014.

The Government then announced that it would consult on a new Right to Build scheme in the March 2014 Budget to give prospective custom housebuilders a right to secure a serviced plot of land from their local council. This was followed by a £30m Custom Build Homes Fund in July 2014 to provide short-term loan finance for multi-home custom-build projects. In September 2014 the Government announced eleven 'Vanguard' local authorities to pioneer the Right to Build.

In March 2015 the Minister of State for Housing and Planning wrote to all local authorities underlining the Government's commitment to support self-commissioned housing to diversify housing supply and help deliver the homes people want. This made clear that failure to take local demand for CSB into account could lead to Local Plans being found unsound by the Planning Inspectorate. In June 2015 it opened a £150m Custom Build Serviced Plots Fund Loan which superseded the Custom Build Homes Fund and was designed to provide loans to create 10,000 serviced building plots for self-builders.

This was followed by landmark primary legislation in March 2015 under the 'Self-build and Custom Housebuilding Act' which placed a two-fold duty on relevant authorities (broadly local councils and national parks) to maintain a register of people who are seeking to acquire a serviced plot in their area to build their own home and to have regard to the demand for custom build housing as evidenced by the registers when exercising certain functions including those relating to planning and housing.

In May 2016 this important legislation was strengthened by the 'Housing and Planning Act 2016' which established a legal duty on local authorities to give sufficient development permissions to meet the demand on their Register on a rolling basis, supported by two sets of regulations. In October 2016 Homes England launched a £3bn Home Building Fund to support the Small and Medium-Sized Enterprises (SME) developer mar-

ket and landowners who deliver serviced plots for custom and self-builders with loan funding for development and infrastructure costs.

In January 2017, the Government announced that 14 new garden villages would have access to a £6m fund over two financial years to support the delivery, some of which included self-build and custom housebuilding ambitions. In February 2017, the Government published its Housing White Paper, 'Fixing Our Broken Housing Market', which acknowledged that there was significant demand for self-build and custom housebuilding and that made clear that custom-build housing is an important part of the Government's housing diversification plans. It set out further actions to support the sector, including work with lenders and supporting custom-build through its Accelerated Construction Programme. It also welcomed the establishment of the Right to Build Task Force by the National Custom and Self-Build Association (NaCSBA), which it supported with a secondment, and commitment to a possible legislative review if local authorities fail to take sufficient action. £95,850 of New Burdens funding was then paid to local authorities between 2016/7 and 2019/20, totalling £32.2m, to support them in exercising their duties under the legislation.

The NPPF was revised in July 2018 which consolidated and strengthened government planning policy for CSB. The Government then published the National Design Guide in October 2019, highlighting the Government's priorities for well-designed places, explicitly referencing CSB. In August 2020, the Government published its planning White Paper, 'Planning for the Future', which included proposals to support the CSB sector, including allowing local authorities to identify land for CSB homes, exploring how publicly owned land disposal can support the self-build sector, and maintaining the exemption from the CIL. This was followed by a letter to all local authorities in October 2020 by the Secretary of State for Housing, Communities and Local Government further underlining the Government's support

for CSB and announcing a review of the Right to Build legislation. In the November 2020 Spending Review, the Government then announced the creation of a Help to Build scheme, which – when launched during 2021 – will support more people to build sustainable and more beautiful homes with an equity loan similar to Help to Buy.

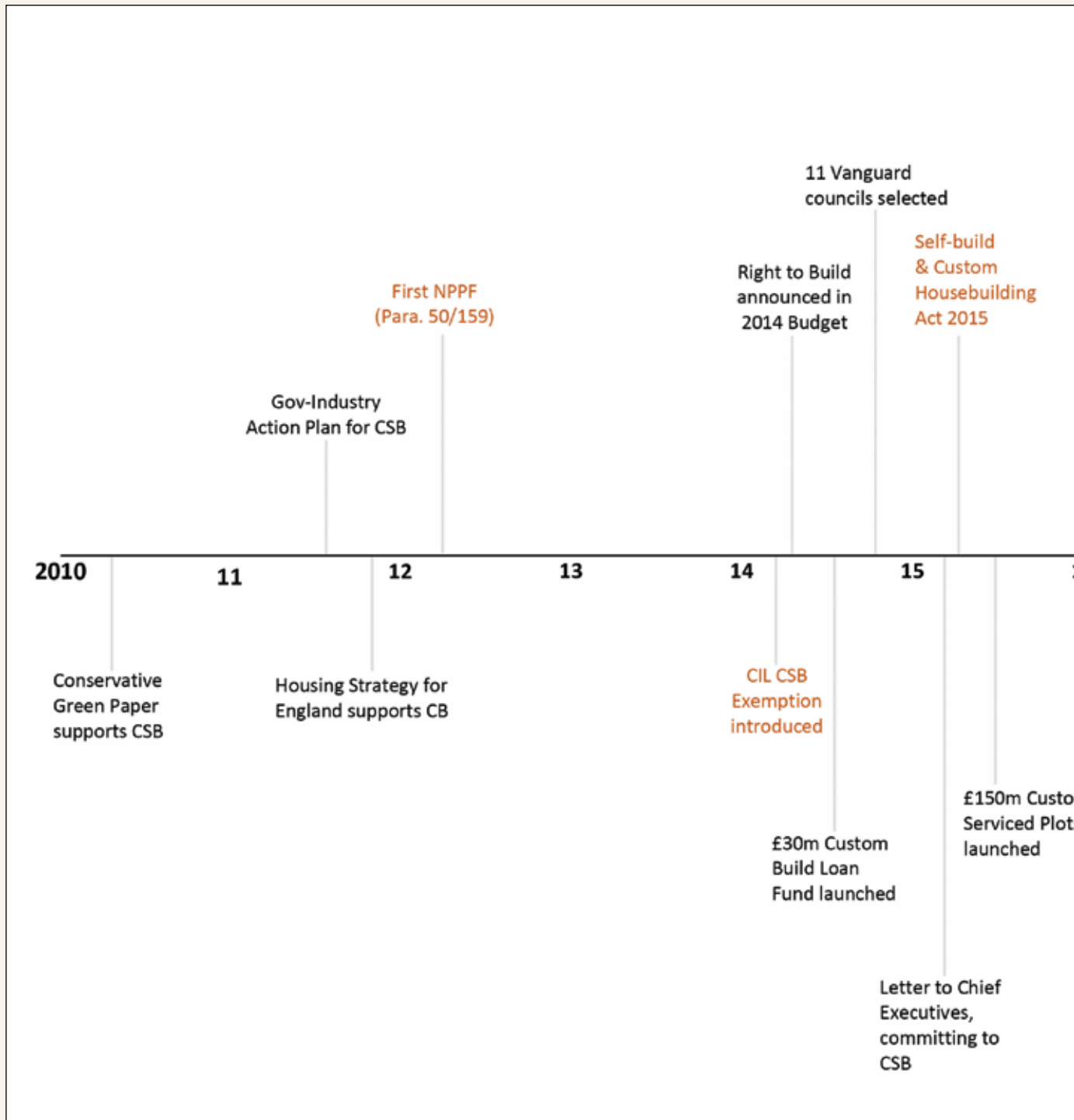
In January 2021, the Government published a draft National Model Design Code, which recognised the importance of CSB as part of the housing mix on larger sites. This was followed by revised planning practice guidance in February 2021, which included a range of clarifications and advice, including acknowledgment that CSB embraces a spectrum of projects which have a range of benefits. In April 2021, the Government published a 'Self and Custom-Build Action Plan' which set out further plans to support the CSB sector, including a legislation review; a dedicated £25m Brownfield Land Release Fund to support local authorities bring forward serviced plots for CSB on public sector land; and, commissioning of the Bacon Review.

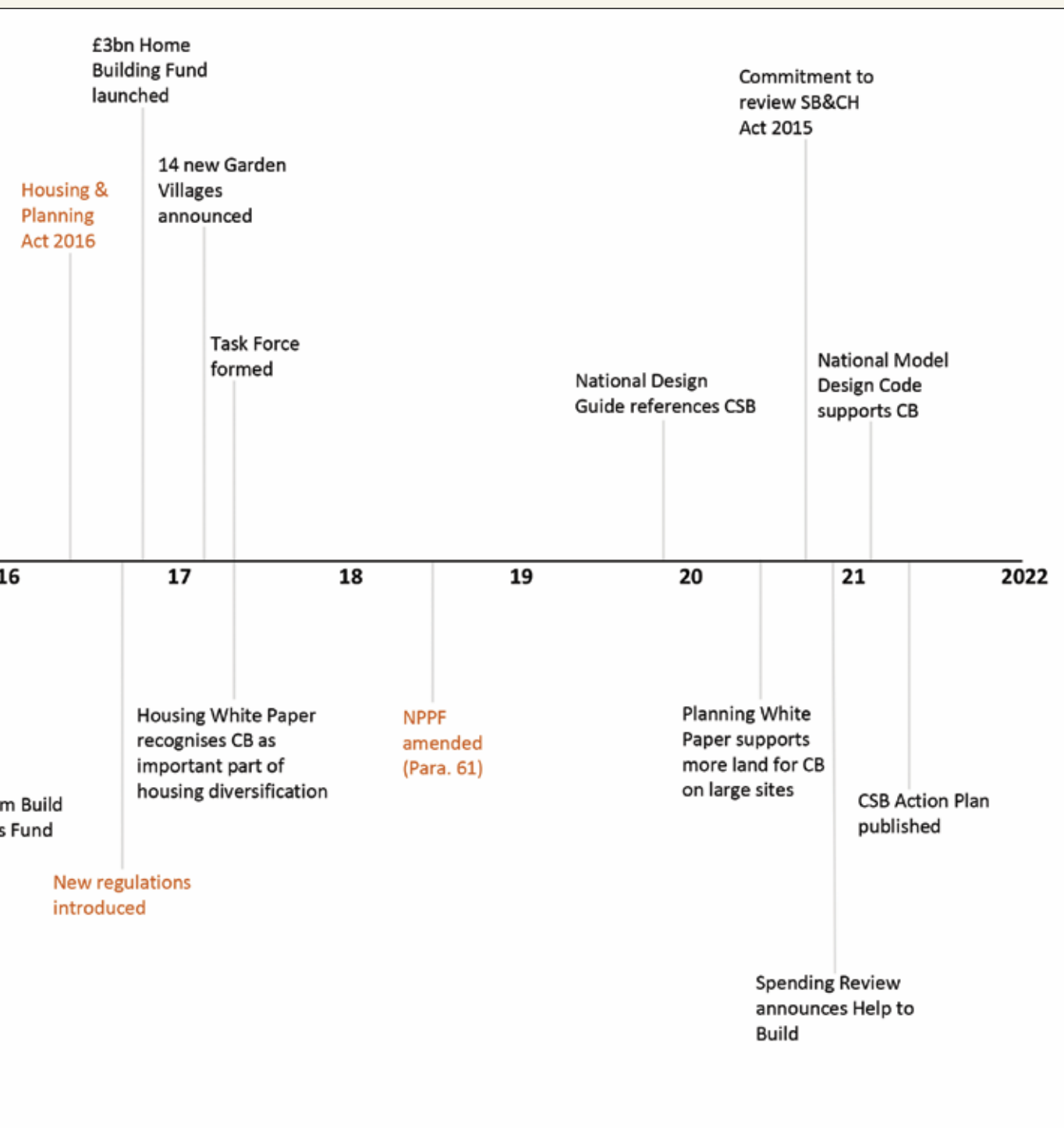
I believe that the steps which the Government have taken since 2011 have been progressive and helpful to integrate CSB housing as an important part of our housing market in public policy terms and begin to address some of the main barriers holding back the growth potential of this important sector in support of diversifying our broken housing market. However, my analysis has reaffirmed by strong view that they have not yet had the desired effect to create a 'self-build revolution' or delivered on the Government's aspiration in the 2011 Housing Strategy to double the size of the CSB sector by 2021 and bring it within reach of ordinary people.

On the next page there is a timeline which shows government support for Custom and Self-Build over the last ten years.

Custom & Self Build

Timeline of Government support









Chapter two

What people want

Customer choice is an important part of most aspects of how we as consumers determine what we buy. Choice is typically seen as positive – a driver of quality and value. Yet within the new homes market in England, choice is substantially constrained. Despite homes being by far the biggest item of household expenditure, we appear to have become institutionalised into a sullen acceptance that there is limited consumer choice homes. With thinking that is more akin to a Soviet-style economy than a market economy, we appear to have concluded – perhaps rather grudgingly – that the choice and quality of new homes is low and that the cost is high. The housing market appears unique in this regard.

Research by the Home Builders' Federation – the trade body for big housebuilders – indicates that only 33% of people would consider buying a new-build home', while a Homeowner Survey by HomeOwners Alliance and BLP Insurance found that the British public are shunning new homes because they are seen by some as being poorly built, characterless and with too small rooms.

Participants in the survey said things like: “New houses are rabbit hutches thrown up....with small rooms, small gardens, thin walls, dubious build quality”. According to the survey conducted by YouGov, only one in five (21%) would prefer to buy a newly built home⁴.

My view is that the startling lack of widespread desire for new-build homes is directly linked to the lack of serious choice and variety in the homes that are built.

The desire in the population to self-commission a home

England has by some distance the lowest known rate of self-commissioned homes in the developed world. The question is whether this reflects a fundamental difference in demand or in supply. Do we not as a nation seek a home built to our design and specification in the way that home buyers in other countries do? Are our needs met by our existing stock of homes (amongst the oldest in the world) and by the speculative new build market, in ways that are not the case anywhere else? And would demand for new homes with a greater degree of customisation be additional or substitutional? What impact would growing the Custom & Self-Build market have on demand for speculatively-built new homes?

These questions have already largely been answered. The government’s white paper Fixing our

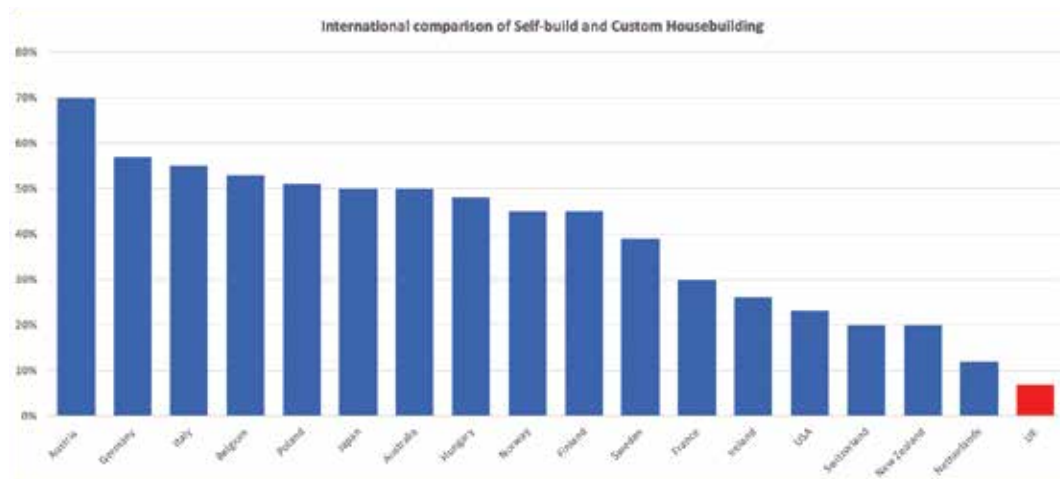
Broken Housing Market stated: “The way in which the market operates constrains the supply of new homes because there is insufficient competition and innovation”. The Independent Review on Build Out found demand for Custom & Self-Build to be additional. As in all markets, greater customer choice creates greater overall demand. This is important not just for delivering more homes. Greater choice means more people aspiring to live in those new homes and therefore a greater acceptance of their being built.

In this section I seek to set out “what people want” and in particular “how many people want it”. This is set against a greater backdrop of changes in the ways we live and work, and manage our lives, which have been brought acute focus by the Covid-19 pandemic – so that people are thinking much harder about where and how to live – and how to find a home that meets their needs. At the same time, Modern Methods of Construction – and, in particular, the greater use of timber – are facilitating greater choice.

This section is complemented by the Economic Analysis starting on page 69 that provides the evidence underpinning the demand for new homes in more detail.

International Demand

The fact that England is such an outlier when it comes to an international comparison of self-commis-



Source: National Custom & Self-Build Association (NaCSBA)

sioned homes presents a strong assumption towards an unmet latent demand. On average 40% of new homes in developed nations are self-commissioned. This includes densely populated nations such as Belgium and Japan. This would imply 120,000 homes out of the government's annual 300,000 target compared to the current estimate (across the whole of the UK) of nearer 13,000 per year.

National Demand

The most recent general population surveys indicate that around one in three of us would like to self-commission a home one dayⁱⁱⁱ. This is similar to the numbers who would consider buying a speculatively built new home. This limited demand for the product that the market currently delivers has many reasons. An inevitable consequence however is that new homes market is underserved. There are many who for reasons of faith, value, lifestyle, sustainability, disability or tastes are excluded from the limited choices available that are focused on the largest customer segments.

Desire to self-commission is strongest amongst the young and decreases with age. This is very different from the current profile of those undertaking a self or custom build where typical self-builders are in their 50s.

When those currently planning a self-build were asked what they would do if unable to proceed with their plans, intentions are almost completely divided between buying an existing home (48%) and staying put (46%). Only 6% would consider a speculative new build.

For many of those currently looking to self-commission a home, their ideal option is a detached individual house, potentially as part of a smaller development. Demand for terraced homes or apartments is limited amongst this current group, in part because such options are rarely offered in the open market (although they do frequently feature in Community-led housing).

Local Demand

Since 2012 the National Planning Policy Framework has required local authorities to plan for the housing need of the custom and self-build sector. This should have created a strong evidence base for local demand across England. In practice, robust analysis at strategic planning stage is rare, with a subsequent consequence on the number of plots included within the strategic planning targets.

Medium term demand is available from the Right to Build Registers that each local authority has been legally obliged to maintain since 1 April 2016. These Registers show a level of demand that is consistently below the level of international delivery or that from consumer surveys. This gap can be explained in part because only 13% of the population are aware of the Self-Build Registers including over half of self-builders. Only one in six self-builders identified as having joined a register.

The Registers themselves are therefore incomplete records of demand. Furthermore, both MHCLG and NaCSBA analysis shows a significant volume of records are removed from Registers each year, or moved within Registers such that the duties on the authority are reduced. In addition, it has become increasingly difficult to join the Register in the area where you would like to live. The most recent NaCSBA survey identified 32% of planning authorities imposing constraints to those seeking to join the key Part 1 of the Registers including substantial and unjustifiable fees and the requirement for a mortgage offer to be in place.

Where and what types of homes are wanted

A survey of customers actively exploring the possibility of self or custom building noted:

- 47% of people don't mind whether they build their home on a single plot or alongside other new build homes

- 48% of people would like to build a bespoke home built by contractors/builders
- 21% would like to build a customisable home
- 31% would prefer to build or manage the project themselves (versus using a main contractor)

Under National Planning Policy Guidance NPPG, local authorities are advised to publish: “preferred locations in a local area, plot sizes and type of housing intended to be built, where this information has been requested by the authority and provided by an applicant.”^{iv} At the same time “Relevant authorities should use preferences expressed by those on the register to guide their decisions when looking at how to meet the duty to grant planning permission etc. This will help ensure that relevant authorities permission land suitable for self-build and custom housebuilding which people are actually keen to develop.” In practice most report nothing.

One council that does have a large Register and produces a report is Cornwall. Its report is consistent in showing amongst other statistics a distribution towards three-bedroom homes.

Other Measure of demand and Wider Challenges

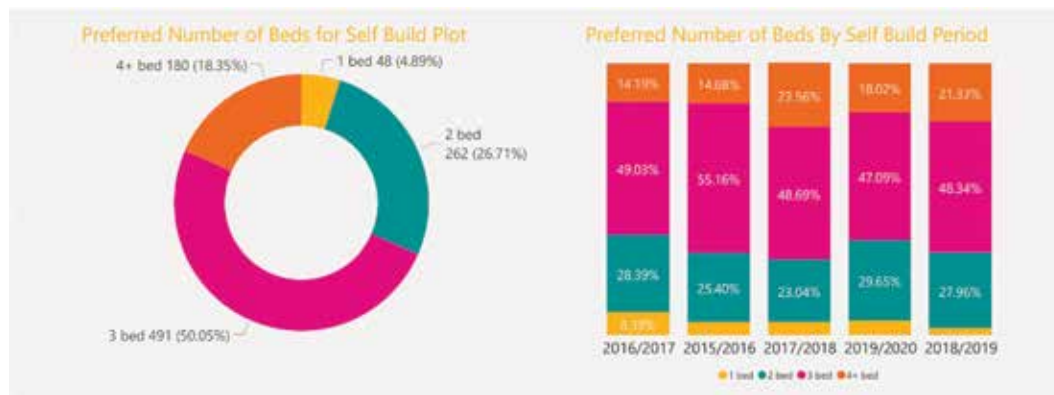
Outside the Registers themselves, evidence of

significant interest can be found from the databases of those in the custom and self build sector. These include the specialist magazines and their associated plot search offerings (Plotfinder and PlotBrowser); the National Self Build & Renovation Centre; and BuildStore / Custom Build Homes. Databases individually (and therefore collectively) significantly exceed current supply. In most cases these databases refer to a particular part of the Custom and Self-Build homes market – that of individually designed and built homes. This highlights further gaps in the demand data.

Members of the public have become conditioned to a single model of new homes delivery, the speculative development market, but it is a model that most people choose not to engage in. At the same time, most people have never met anyone who has self-commissioned a home and certainly have not had routine access to opportunities to follow this route at the time they were considering their next home – and this for a housing option that is a mainstream choice in the rest of the developed world.

Customer choice does not only apply to individual open market housing. In Europe, affordable housing is frequently delivered through a group commissioning approach.

In our nation we have currently over 900



Community Led Housing groups operating. A research report⁷ commissioned by the National Community Land Trust Network in partnership with the Confederation of Co-operative Housing, Locality and UK Cohousing found that the potential pipeline of Community Led Housing is significant, totalling over 23,000 across unspecified and specified development stages. Even discounting units for which the stage of development is unknown, over 10,000 units are planned. This mirrors evidence from Homes England which suggests there are over 10,500 homes in “live applications” to the Community Housing Fund.

Bridging the Gap

Customer choice is essential to optimise the delivery of new homes in England. In the long-term, international evidence suggests that the market could and should be delivering around 120,000 of the government’s 300,000 target for new homes each year.

Whilst much of this demand is latent, there is plentiful evidence that demand is in excess of current supply. Delivery at this scale requires changes across all aspects of our housing market, from customer awareness and access, through land supply and suppliers and manufacturers. In

practice it is supply rather than demand that is likely to be the limiting factor, the greatest single challenge being land that is both permissioned and accessible.

In the short term, the easiest way to unlock and realise demand is to increase access in areas where demand is already strong and there is capacity to supply. Right now, this is individually-designed homes delivered by SME builders in small developments around the edges of settlements and shell apartments in larger urban centres.

In the longer term, growth is likely to be in the custom-build sector with sites offered alongside larger developments. This route offers a wider and more affordable option. This greater scale requires a greater level of investment – and new awareness from the public – in what is in effect a missing market.

⁷ https://www.hbf.co.uk/documents/6698/Why_buy_new-_Home_buyer_intentions_and_opinions_-NHW16_FINAL.pdf

⁸ <https://hoa.org.uk/2015/06/new-homes-standards-are-slipping/>

ⁱⁱⁱ One survey by Nationwide Building Society put the proportion higher at 53%. Another more recent Nationwide survey found a still higher proportion at 61%, which potential demand even higher among the young.

^{iv} NPPG Paragraph: 012 Reference ID: 57-012-20210508

^v http://www.communitylandtrusts.org.uk/_filecache/387/a2e/905-clh-pipeline-analysis-dr-tom-archer-feb-2020.pdf





Chapter three

Raising awareness

The self-commissioning of a home is a normal part of the market in most developed nations. Given that this approach to housing is integral to all stages of the housebuilding process – and also to the house buying process – information and exemplars are readily available in most other countries, through established and trusted businesses operating at scale.

Put simply, custom and self-build is as natural a route to take as purchasing a speculatively-built house and the market has evolved to meet the needs of those wishing to pursue this approach. Speculatively-built housing remains an option and many providers work in both markets, with a choice of a new home – completed with standardised finishes and ready to move into – or a customised new home built to order and ready to move into within a few months or sometimes just weeks.

For many in these countries, information is readily available and examples and exemplars can be found amongst their family, friends, and peers. The markets also facilitate choice and there are broadly four models available for making plots and or homes available in the market, as follows:

1. Collective Show Parks and Websites

The German new-built market offers diverse choices both in terms of physical sites and on-line platforms.

Musterhaus.net

Musterhaus in Germany terms itself “the House Building Portal”. Its website lists more than 2,400 homes from 350 different construction companiesⁱ. Musterhaus provides a search facility akin to renting a holiday property and also has a customer-friendly focus through its Facebook page. This has over 100,000 followers and a similar number of likesⁱⁱ.

In addition, the company lists 35 Show Parks throughout Germanyⁱⁱⁱ. The largest Show Park is at Bad Vilbel near Frankfurt. It is well connected to the motorway network and has over 60 show homes, attracting 103,000 visitors last year.

The sites are “Destinations” which promote family visits, with a range of facilities and parking. There is a small charge for entry that can often be offset. In all there are over 1,000 Show Houses throughout Germany^{iv}. Whilst there is huge choice, not all buildings are available in all locations. The focus is typically on detached homes.

Homes on the site typically are there for 10 to 15 years before being dismantled and replaced. Other sites are in residential areas. These are temporary installations secured through planning conditions and remain operational between 10-20 years, after which the homes are sold to buyers.

The largest currently known park in Europe is the 7.4 hectare Blaue Lagune^v complex near Vienna and has some 100 homes from 25 providers. It had some 140,000 visitors during 2019, reflecting the popularity of custom and self-build in Austria where some 33% of all detached and semi-detached homes are currently prefabricated and customised^{vi}.

2. Individual customer-focused offerings

In Sweden houses can also be purchased online or through showrooms and through access to existing homes (with the active support of the homeowners). This model is more distributed and less capitally intense and it also reflects in part a much lower population and population density.

Trivselhus is a Swedish housebuilder. It is already operating in the UK and built the award-winning Marmalade Lane co-housing development in Cambridge. However, its Swedish consumer offering is much more advanced than that which is available in the UK. In Sweden it sells its product through a range of outlets. As in Germany, its houses can be viewed and even ordered on-line. It also operates a range of showrooms across Sweden. It has worked hard to ensure that its own customers promote its products through offering physical and virtual guided tours underpinned by a message of safety and ease.

3. Show homes and developer-led sites

Australia has a well-established custom build market where a single developer purchases a plot of land, builds a show house and then offers services for a bespoke plot on its own site. In some cases the site may be shared and more delivery options are available.

It is normal for residential developers to create masterplanned communities with a wide range of housing types, including narrow urban lots, medium density dwellings and apartments as well as single detached houses. Customers are typically offered toolkits and expert advice, with a choice to commission a home or to buy brand new, together with finance packages. The customer is treated as if she is at the centre of the developer’s concerns.



The Show Park concept

FertighausWelt Cologne

FertighausWelt Cologne is one of several show parks run by the Federation of German Off Site Housing Manufacturers (BDF).

Some 24 different off-site housing manufacturers are represented, including several firms working in the UK market such as Kampa, Stommel Haus, Weber Haus, Danhaus, Hanse Haus, Huf Haus and Bau-Fritz.

Location

The park is located on the edge of a business park along the A4 motorway. It is anchored by a visitor centre with 85 free car parking spaces, leading to a pedestrian zone aligned with serviced plots ranging between 300-550 square metres, where home manufacturers pay an annual ground rent to the show home park owners to exhibit their homes.

Visitors pay a small fee

The exhibition is open 11:00 - 18:00 from Wednesday to Sunday. Visitors pay a small entrance fee (up to 6 for a family), which is valid for a second visit. Entrance is free to visitors with an exhibitor appointment or to attend a visitor centre meeting.

To exhibit, home manufacturers must comply with a range of rules, including:

- **The requirement to obtain planning permission from the local council in accordance with the park's design code (equivalent to a local development order which grants outline permission);**

- **Payment of a 10,000 Euro penalty if a home is not completed on time for the park opening;**

- **A 10 year initial contract to exhibit with the show home park owners. Contracts roll over for an additional five years if exhibitors do not cancel;**

- **Payment of a management and servicing fee of 250 Euro annually;**

- **Attendance of sales staff for each manufacturer during opening hours, or the manufacturer incurs penalties;**

- **Complying with fair trading rules. For example, sales agents cannot collect clients from other houses or tout for business in the pedestrian zone;**

- **Complying with rules and limitations relating to use of advertising to ensure a pleasant environment is provided for visitors.**

A popular destination

In order to remain cutting edge, homes are typically replaced or renewed on an 8-15 year cycle. Company representatives say that the park is a popular destination for buyers and as a broad guide each exhibitor sells 30-50 homes a year through this sort of marketing.

Working from home

Show Parks have become increasingly popular during the Covid pandemic because more people are looking to build their own homes and work from home.

4. Local Government-led Plot Shops

In the Netherlands, the market has a substantial element of individually designed homes. In many cases for urban developments these are facilitated by the sale of plots by the local authority. Plots Shops facilitate the sale of plots and help link self-builders with available plots. The Dutch system typically supports a varied community through allowing sites to be sub-divided into plots of different sizes to reflect different budgets. Until the global financial crisis the Netherlands new build market was similar to the UK, dominated by speculative development. However, the Dutch response focused less on supporting large speculative housebuilders and more on facilitating individuals to self-build. Almere is a new town development on reclaimed land whilst Buikslotherham is an urban regeneration area. Both exhibit a wider variety of self-builds with a focus towards individually designed homes and apartments rather than the model home approach in Germany and Sweden. The relatively high density of The Netherlands means that terraces, squares and apartments are common forms of development and fine examples can be readily identified and viewed within most urban areas.

The large scale of Almere means that it has been able to zone its development. This has resulted in variety determined by size and design, amongst other factors. Some zones for example are specifically allocated to “homes of architectural interest”. The site also includes a form of self-build shared ownership which combines elements of variation in design with common elements to increase efficiency – for example, a standard foundation on which to build.

Buikslotherham highlights the range of self commissioned homes that can be delivered in an urban regeneration area. It includes apartments as well as terraces and also house boats on what was a previous dock area.

Current position – England

Overview

The UK self-build market is currently largely made up of architect-designed individual homes, located on individual plots and distributed across the country.

Television shows including *Grand Designs* attract audiences in the millions. In normal pre-pandemic times there was a very good spread of self-build and home improvement exhibitions across the country, with six figure attendances annually. Such exhibitions feature home builders but, due to the diverse nature of the sector, the bulk of activity is around window systems and doors, heating systems, renewables and products relevant to the wider home improvement market.

Outside the exhibitions, there are few opportunities to obtain direct access to the sector and its offering in the ways that are common in other countries. There are individual pockets of opportunity for individuals to see for themselves the options that may be available, but these fall well short of a developed market (see map opposite).

Raising awareness

For customers who are unused to a self-commissioning model, as is the case in England, it is important that they are given the opportunity to see the possible product for themselves. Some providers have followed this option but they are few and far between and are distributed across the country. Creating a destination Show Park is in my view the best way to encourage the numbers needed to see the wide range of products that are actually available and to experience them for themselves. There is also the opportunity to provide space for meetings and – as with the National Self Build & Renovation Centre in Swindon – to promote individual elements of a more bespoke self-build, as well as to meet with builders and architects to discuss features of the specification and



Whilst there are some connections between sites – for example, there are Danwood homes at Graven Hill, and Graven Hill advertises at the National Self Build & Renovation Centre – these are individual “isolated” opportunities to access the market. A house sales map for Potton shows a based around its show centre and manufacturing site near Cambridge.

The key current main sources of access to information and exemplars are:

SOURCE	DETAILS	WHERE TO GO
Self Build Centre	A single site in Swindon provides a permanent exhibition and insight into the core elements of Self-build	National Self Build & Renovation Centre (NSBRC), Swindon, Wiltshire
Manufacturers' Show Homes	There are fewer than 10 manufacturer's show homes distributed across the UK, the key site being a 5-home site for Potton Homes	Potton Show Homes Centre, St Neots, Cambridgeshire (also close to its manufacturing site)
Open House & open sites	Graven Hill, the UK's largest self build settlement, located at Bicester in Oxfordshire, runs visitor days and has a Show Home. Open house viewings are hosted by architects and in particular the PassivHaus Trust	Graven Hill, Bicester, Oxfordshire
Online purchase	Fixed price range of customisable homes viewable on the web.	Dan-wood.co.uk (and at Graven Hill)

design. The site could also include a Plot Shop. There are further benefits if manufacturing and assembly facilities are closely relocated, enabling a customer to select a product and to see how it will be built.

This may be possible on a single site, but ultimately the provision of show homes with a moderate but limited sales life is capital intensive and a high cost for a developing business.

The alternative is to build the show homes in a location where it is designed-in from the start that they can ultimately be sold on as homes forming part of a new neighbourhood – and then a new show site is developed elsewhere (and the pattern repeated).

Moving location is likely to mean that the show home centre may be closely located but not necessarily within a single site. Although it is likely that

in due course the country would benefit from a number of larger regional show home sites, as is entirely normal in Germany, it would in my view be best to start with a single site to demonstrate and refine the operating model.

As an interim stage, Homes England could play a role in purchasing and ultimately disposing of the homes and the site on the open market – effectively providing the working capital required to support the site operation.

This site could be part of – and help to define – a new garden settlement. If connected appropriately, it would attract national interest as well as becoming an engine for foreign direct investment into the UK, including home builders from abroad as well as small and medium sized companies in the UK who want to showcase their housing products.

ⁱ <https://www.musterhaus.net/>

ⁱⁱ <https://www.facebook.com/musterhaus.net/services>

ⁱⁱⁱ <https://www.musterhaus.net/musterhausparks>

^{iv} <https://www.musterhaus.net/musterhauspreis>

^v <https://www.blaue.lagune.at/>

^{vi} Austrian Home Manufacturers Federation (Österreichische Fertighausverband)
<https://www.trivselhus.se/>

Bristol Community Land Trust's first community-led development of 12 homes on Fishponds Road, completed in 2016, is now fully occupied and has been a resounding success, demonstrating what can be achieved. Built on land acquired from Bristol City Council, homes are a mix of shared ownership and affordable rent.

The emphasis was on creating an affordable and highly community-focused development, and each resident had to be a member of the CLT, becoming invested in the scheme and the CLT's ethos.

The residents of the Fishponds Road development were involved right from the start, advising on design, landscaping, and internal fixtures & fittings. They fitted kitchens, tiled their bathrooms, and built bike sheds & bin stores.

Built on the site of a former chapel-turned-school, the scheme demonstrates what can be done by putting residents at the heart of the design & delivery process.





Chapter four

Using land the public already owns

“It is a dangerous thing to underestimate human potential and the energy which can be generated when people are given the opportunity to help themselves”. Dr Rod Hackney

Some sceptics think that while custom and self-build housing might be a distracting hobby for the well-to-do middle classes, it could not possibly play a major role in solving our housing crisis. This deeply mistaken view ignores the vital point Rod Hackney is making above. When people are given the opportunity to be involved in solving the problems they face – including their housing problems – it unleashes a creativity, an energy and a community-building capacity which is not readily available elsewhere, if at all.

Many planners in local authorities still prefer talking to a small number of large developers than asking a large number of people in a community what they really want. After all, getting people involved is time-consuming. And people can be so annoying. They change their mind. They don't understand the important rules which council

officials and elected members wrestle with every day. In some ways it looks much easier to decide what people really need based on “objective” assessments of housing need and then deliver these needs at scale. It will also probably concentrate in a smaller number of places the political flack which may arise from having to accept more housing. Yet few stop to ask why it is that so many people – who themselves have somewhere to live – should think of more housing as *pollution*. When Nicholas Boys Smith concludes that we should spend less time asking how to build more houses and more time thinking about how to make houses more popular, he is asking us to address our chief problem.

Some year ago, at seminar held in the Queen Elizabeth II Conference Centre near Parliament Square, councillors from across England gathered to hear examples from other countries where a community approach – involving custom and self-build – had made a startling difference. Some were enthusiastic to learn more. But one councillor sat with his arms folded, stubbornly declaring that he wouldn’t be trying it in his area. Asked why not, he replied: ‘It wouldn’t help me meet housing need’. The dismal certainty of a councillor thinking he knows more about ‘housing need’ than people who need housing tells us there is still some distance to travel, but there are sparks of energy everywhere. Look at the enthusiasm for custom and self-build projects from Cornwall to the Orkneys, from Norwich to Liverpool and from Lewisham to Middlesbrough. Stoke Council was so determined to rebuild communities that it sold derelict houses to local people for £1 and offered cheap council loans to carry out essential repairs. The top 10 volume housebuilders may account for more than half of housebuilding but the truth is that not enough of us want to buy what they produce – even if we can afford to.

On behalf of citizens and taxpayers, the govern-

ment is a significant owner of land and buildings. These assets are valued at £443 billionⁱ. Their ownership is spread between many hundreds of different public bodies – from hospitals and schools to the prison service and the courts, from the Forestry Commission to county-owned farms and from other local authority land holdings to the Ministry of Defence, the Environment Agency and others. Successive governments have sold such assets to private buyers – and, on one estimate, approximately 2 million hectares of land, or around 8 per cent of the land area of Britain – has been sold in the last 40 yearsⁱⁱ.

One of the reasons for keeping land in public ownership is to ensure that there is enough available for services which we want to have as a community but which won’t be supplied by the market. Obvious examples include allotments – to which citizens are entitled by law – as well as public libraries, school playing fields, and so on. Over 10,000 school playing fields have been sold in the last 35 years, contributing to a legacy of increased obesity and diabetes – and increased costs for the National Health Service. Diabetes costs the NHS at least £10 billion each year. It is the leading cause of blindness for people of working age. Each week the NHS performs over 100 diabetic amputations. Total expenditure associated with diabetes is already huge and is expected to grow. Should the government on behalf of citizens and taxpayers retain more public land – in this case, ownership of school playing fields – in order to reduce costs to the NHS later?

Take another example. When prisoners leave jail after serving their prison sentence, they need at least two things: first, somewhere to stay (preferably not the drug dealer’s sofa) and second, something to do – a *purpose* in life – either a job, or skills training that leads to a job. It’s not easy for ex-prisoners to get somewhere to live because most landlords don’t want to risk it. It’s no easier

for ex-prisoners to get work – many firms don't want to risk employing them. Recidivism – the word criminologists use for ex-offenders committing another crime – cost taxpayers £18 billion per year. In the 1990s twelve unemployed Afro-Caribbean men – some of them ex-offenders – built their own houses in Chapeltown in Leeds, using construction skills they learned at a training centre which was set up in the wake of the 1980s riots, chiefly because of the insistence and sheer determination of one young man, Claude Hendrikson, that he would simply not tolerate having streets where half the houses were derelict while he had friends and neighbours sleeping three to a room. There are many similar stories from the time when Stella Clarke and John Gillespie were driving forward the work of the Community Self Build Agency in Bristol. One local resident told the story of how she was advised to apply to the Community Self-Build Agency: "I was encouraged by the local council to apply for the CSBA Scheme, I rang them and said; "I am disabled, unemployed, on benefits and I know nothing of building." They said; "You fit all the criteria!" I have never looked back." Should the government on behalf of citizens and taxpayers retain more public land – in this case, land where there could be more skills training centres, in order to help communities to solve their problems, as well reducing guest numbers held at Her Majesty's Pleasure and lowering future costs in the prison system?

There are many other possible examples. The phenomenon of "cost-shunting", where actions by one part of the public sector – in this case, selling land in order to increase income or to save money – have the effect of increasing costs for taxpayers in other parts of the public sector, is quite rightly a matter of growing concern to the House of Commons Public Accounts Committee. The situation leads to a poor use of public resources. It

means that the governments we elect are discharging unsatisfactorily their duty – their *legal* duty – to look after precious taxpayers' money Effectively, Efficiently and Economically.

Yet it is an extraordinary fact that when planners look at housing schemes, they are not required to consider the overall social impact. True, a key watchword is 'sustainability' but too often this means no more or less than what an expensive lawyer at a planning enquiry wants it to mean. In terms of thinking holistically about the communities we want to see - and then designing and building places for people to live, rather than large numbers of identical boxes - we are still in the dark ages.

If a young couple with children visit a show home on a typical new build development and ask if they would be able to extend into the roof if they have another baby, they are told in no uncertain terms that it would be out of the question for structural reasons. If a more mature couple asks if there are starter homes in the scheme so their son in his late twenties no longer has to live at home, they will be told that starter homes don't make enough money for the developer. If they ask how much sheltered accommodation is integrated into the scheme, where their elderly mother would be able to come to live so that they and her grandchildren could see each other easily, they are almost treated as if they are mad. And yet each of these examples comes much closer to the ideal of a 'sustainable' community than what is normally served up by the large house builders, with a green light from local planners.

When starting to plan new developments, it would be very obvious - one would think - to integrate into the approach the views of local businesses, their needs for staff, the growing possibilities for self-employment, the need for workshops and small business incubators, the views of the local NHS, mental health

practitioners, and care providers - never mind (speak it softly) the actual preferences of customers - as well as making sure that the high-speed broadband connections, roads, GP surgeries and school places are delivered when they are needed, not much later when the pressure has become intolerable. But we are nowhere near having as the norm a holistic approach, which weaves together the different strands of what makes a good place to lead a life.

Building community

And yet the right to build on land at all is a right conferred through a legal process by society as a whole. There is therefore already an enormous amount of 'we' involved. We should not forget this. And the 'we' in this equation need to get much better at discerning and specifying what we have the right to expect in the places where we will have our futures. But as Lord Richard Best told this Review, "we have handed over control of the land to people who do not have the public interest in mind".

One of the reasons for selling public land is so that private sector housebuilders may build new homes on it. While in some cases this has happened, the result has often not been more houses but rather that the landholdings of major housebuilders have increased. Such public land is not typically made available for sale to small local builders – although government policy is to support and foster the small building firm sector; when the Housing White Paper Fixing our Broken Housing Market was published in February 2017, it included in Chapter 3 an explicit policy aim of diversifying the housing market and fostering smaller building firms.

As recently as 1988, SME builders built two thirds of all houses. These smaller players – who successfully met local demand and who, crucially, depended on their local reputation for future sales

– now deliver barely 12% of new housing stock. Indeed, the Federation of Master Builders points out that since 2017 the number of planning applications granted for "minor residential applications" (defined as between 1 to 9 dwellings) has fallen from 43,610 in 2016/2017 to 34,065 in 2020/2021.

Smaller builders have largely been squeezed out by very big companies who can afford the time and cost involved in negotiating a path through the complex thickets of the planning system. It is no use blaming the big housebuilders for this. And mere exhortations that these private businesses must "do their duty" by building more houses, more quickly, will fall on deaf ears. As major companies they are already doing their duty – their fiduciary duty to their shareholders – and the fact that these companies have vastly reduced in number while growing hugely in size – and that the SME Builder sector has nearly been destroyed – is a direct consequence of a regulatory environment which is both exceptionally complex and fraught with risk, so that the gaining of planning consents requires both very deep pockets and the ability to bear significant risks over very long periods of time. The concentration of most housebuilding into fewer and fewer hands is quite simply an *evolutionary response* by big housebuilders to the regulatory environment in which they are required to operate. And to change the course of evolution, one must change the conditions.

The broader question is a simple one. Should the government use the fact that it already owns public land – as a steward on behalf of citizens and taxpayers – as a tool to achieve broader goals of public policy, where it can be shown that the achievement of those goals would be materially assisted by its holding on to public land over a long period? Or would it be better simply to sell it to the highest bidder on the basis that by definition "the market" will find the best use for the asset?

The next chapter explores further the way in which – under the current housebuilding model – large housebuilders actually chiefly compete for *land* rather than retail customers, so that the concept of a “competitive market” as an economist would understand it is largely misplaced. But given the current very strikingly oligopolistic arrangements, it is my view that government would be entirely justified in using the fact of its landownership to explore the pursuit of a wider range of public policy goals, while also achieving better financial value over the long term for its land holdings.

Given the great seriousness of our current housing problems, the exclusion of a whole young generation from the chance of home ownership; the fact that more than 4.8 million households are under significant housing stress including 2 million households in the Private Rented Sector facing potential difficulty, including many who have wanted to buy but have been unable to afford to do so, and who face poverty in 20 years’ time when their incomes will drop but their rents won’tⁱⁱⁱ; the persistent difficulty in retaining NHS staff nurses and the consequent increased cost to taxpayers of expensive agency nurses^{iv}; the difficulties and associated extra costs of inadequate efforts to retain expensively-trained military personnel^v; the need and persistent difficulty in recruiting and then retaining teachers in difficult to fill subjects^{vi}, as well as the important

subject of reducing reoffending^{vii}, all indicate that a more strategic approach to the deployment of public resources including public land – to meet a wide range of housing needs – would, if done creatively and imaginatively, using the offer of commissioning one’s own house on public land through CSB housebuilding (across a wide range of tenures) as a recruitment and retention tool, yield very significant public policy benefits as well as significant long-term benefits to taxpayers.

Indeed, some experts^{viii} have pointed out that the concept of “less than best” is no longer relevant in the context of the UK planning system, as reordered in the 2004 planning reforms and the current NPPF, and that “Less than Best” is simply an anachronism that was necessary in a land use planning system, which we have not had since 2004. Most mainland European countries are way ahead of us in adopting spatial planning practices and policies, which also explains why the sale of public land on terms that enable the achievement of social and environmental outcomes, as well as economic ones, is so unexceptional and unproblematic across continental Europe.

Ownership of land offers government a huge advantage in solving an array of problems, not just housing problems. It has only to seize this advantage. Lord Richard Best told the Review that “*whoever controls the land always wins in the end*”. It is now time to use public land more creatively to ensure that citizens and taxpayers win.

ⁱ Whole of Government Accounts for the Financial Year ending 31 March 2019 p26 https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/902427/WGA_2018-19_Final_signed_21-07-20_for_APS.pdf

ⁱⁱ The collapse in public land ownership, Prof Christopher Bretts, Financial Times, 8 November 2018.

ⁱⁱⁱ <https://nationwidefoundation.org.uk/wp-content/uploads/2020/03/Making-Housing-Affordable-Again.-The-Affordable-Housing-Commission.pdf>

^{iv} https://www.nao.org.uk/wp-content/uploads/2013/02/05061176_Good_Practice.pdf and <https://www.nao.org.uk/wp-content/uploads/2016/02/Managing-the-supply-of-NHS-clinical-staff-in-England.pdf>

^v <https://www.nao.org.uk/wp-content/uploads/2017/01/Service-Family-Accommodation-update.pdf> **and** <https://www.nao.org.uk/wp-content/uploads/2018/04/Ensuring-sufficient-skilled-military-personnel.pdf>

^{vi} <https://www.nao.org.uk/report/supporting-and-improving-the-teaching-workforce/>


^{vii} <https://webarchive.nationalarchives.gov.uk/20170207062645/https://www.nao.org.uk/wp-content/uploads/2002/01/0102548.pdf> **and** <https://www.nao.org.uk/wp-content/uploads/2017/06/Mental-health-in-prisons.pdf>

^{viii} Stephen Hill, “Less than best consideration” in Association of Chief Estates Surveyors – Quarterly Journal – Terrier: Summer/Autumn Issue 2021 **and** Charles Dugdale, Partner, Knight Frank LLP “A review of Best Consideration legislation is long overdue” <https://www.linkedin.com/feed/update/urn:li:activity:6820266210853175296/>



Agile Homes employs and pays a living wage to those still completing prison sentences at HMP Leyhill to manufacture advanced closed timber panels. Those involved learn new skills and have the chance of obtaining good full-time work upon leaving prison.



A vibrant garden scene with a large tree, a greenhouse, and flowering plants. The background features a large, leafy tree with a thick trunk and a dense canopy of green leaves. In the middle ground, a white greenhouse with a glass roof is visible. The foreground is filled with lush green plants, including a large bush with bright yellow-green leaves and clusters of small, dark purple flowers. A wooden bench is partially visible on the left side of the image. The sky is a clear, bright blue.

“The mood and temper of the public in regard to the treatment of crime and criminals is one of the most unfailing tests of the civilisation of any country. A calm and dispassionate recognition of the rights of the accused against the state, and even of convicted criminals against the state, a constant heart-searching by all charged with the duty of punishment, a desire and eagerness to rehabilitate in the world of industry all those who have paid their dues in the hard coinage of punishment, tireless efforts towards the discovery of curative and regenerating processes, and an unfaltering faith that there is a treasure, if you can only find it, in the heart of every man: these are the symbols which in the treatment of crime and criminals mark and measure the stored-up strength of a nation, and are the sign and proof of the living virtue in it.”

Rt Hon Winston Churchill MP, Home Secretary, House of Commons speech, 20th July, 1910

“We don’t need to do pilots. We know what works.”

Rt Hon Sir Robert Buckland QC MP, Lord Chancellor, speaking to the Bacon Review about investment in high quality prison workshops, 29 June 2021



Photograph: Mario Wolf



Chapter five

Learning from Overseas

To inform my plan I have looked in some detail at other international self-commissioned new build housing markets in developed economies to understand what delivery models dominate these markets and identify key learnings for boosting our sector in the UK.

It is clear from my analysis that the proportion of self-commissioned housing as a percentage of new housebuilding in other markets continues to be far higher than in England and the wider UK. To demonstrate this, CWE provided updated estimates for a range of selected countries produced by the National Custom and Self Build Association in 2016 also published by the Government in 2011¹ and prepared new estimates where this was possible. This showed that on average about one in four of all new homes in the markets researched for this report are self-commissioned. Indeed, in some markets like Austria, Germany, Poland and Japan, self-commissioned housing is the dominant form of housebuilding – and, in others, it makes a significantly greater contribution to housing supply than in the UK market.

My analysis has also shown that whilst many countries have experienced a growth in speculative volume housebuilding in recent decades, the rate of custom and self-build housing has remained relatively steady. Although the housing markets and consumer expectations of new housing vary widely between countries, I am also clear that in many developed economies it is routine for developers and local authorities regularly to prepare serviced plots for sale for people to commission the construction of their own homes from contractors or package companies, or where land and build packages are offered on large housing sites.

This contrasts starkly with the UK where the housing market has progressively shifted towards larger housebuilders who promote and buy large tracts of land to build speculative housing without engagement with the end user – the customer – who normally gets no choice, or very limited choice, over the design of homes which are built and offered for sale – and where the serviced plot and self-commissioned housing model rarely features at any scale.

The trend towards the largest developers is intensified by an increasingly complex planning and regulatory regime and State intervention to boost large scale housebuilding, favouring large site allocations and larger developers while undermining the ability of small and medium sized house builders to retain a foothold in the market.

As part of my review, I have looked more closely at the markets in Germany, France, The Netherlands, the United States, Australia and New Zealand and Japan. My focus in this section is on the nature of the supply of homes and land. Previous sections have provided details as to how individuals can access the market for homes and plots.

Germany

Germany has comparatively higher rates of housebuilding and a much less volatile housing market registering 293,000 housing completions in 2019. Much of this housing is small in scale with larger housing construction projects being the exception.

The house building market is dominated by smaller and medium sized regional and sub-regional housebuilders who build a wide variety of homes; with a broader mix of investors, including build-to-rent; and a more predictable, front-loaded and streamlined plan-led planning system that facilitates the steady release of land and the construction of new homes.

The land tax system is similar but in Germany the capital gains tax rules place a stronger emphasis on long-term investment.

A key market feature is that the German housing market is characterised by high levels of self-commissioned house building (55% of all homes). This is because there is a strong cultural preference to build single-family or semi-detached homes, but also lower levels of home ownership at 43%, compared to 65% in the UK. In Germany, custom and self-build mortgages are widely available from local banks and building societies. Show home villages actively promote this form of homebuilding to consumers; self-commissioned housing is popular nationally, with one in every five new detached and semi-detached homes originating from an off-site, custom build housing manufacturer, many of which are represented in these Show Park villages.

Local authorities play a central role in bringing serviced plots to market for local people to build their own homes. Local land-use plans ‘Flächennutzungsplan’ are used to make area-wide housing allocations which establish the

principle of development and provide certainty for home builders.

They also guide the preparation of more detailed zoning plans 'Bebauungsplan' for areas of change or new development. They also make effective use of Section 34 of the Federal Building Code which states that development in a built-up area is permissible if it 'blends in' with the character of the immediate surroundings, taking account of the designation of the site in the local plan. Development in line with the allocated zone receives permission in principle, although a planning application (building permit) is still needed. Once adopted, the local plan is kept under review. Local authorities also routinely integrate custom and self-build housing when larger sites are planned to accelerate build-out, with parcels reserved for collective projects and building plots alongside other forms of housing – an approach which featured in the recommendations of the Independent Review of Build Out undertaken by Sir Oliver Letwin and published in 2018ⁱⁱ. This system enables plots to come to market regularly and there are several online housing portal which link consumers to plots and buildersⁱⁱⁱ.

Many local authorities assemble housing land using a formal 'land pooling' and 'reallocation' process 'Umlegung' or through the use of Urban Development Measures 'Städtebauliche Entwicklungsmaßnahmen', set out in statute. The land pooling instrument is particularly favoured by smaller rural authorities to bring forward affordable custom and self-build plots for local people, although cities like Bonn, Frankfurt, Hamburg and Munich have also used land pooling. Stuttgart for example has brought forward 45 sites for 14,000 homes in over 20 years; Kaiserslautern 70 sites for almost 3,000 homes in similar time and Dortmund delivered 8 sites for 1,000 homes in just four years.

Land Assembly measures in Germany

The land pooling process allows local authorities to designate an area for land assembly and then negotiate with landowners to rearrange land ownerships and prepare serviced plots. Plots are then sold back to owners at prices covering the costs of infrastructure and the pooling process, or they are allocated plots which they can then build on or sell with or without restrictions. If landowners are unwilling to participate, compulsory purchase can be used following existing procedures, although this is rare. The process which councils follow is clearly set out in statute to provide consistency across areas and transparency with landowners and the public.

To stop land speculation the assembly process allows existing use values to be frozen and the process to be started before the local plan is changed to allocate the site for housing. This enables pooling to take account of the original value of the land and reduce land prices. New housing can only be built once the local plan has been changed or the site receives planning permission.

Urban Development Measures allow local authorities to designate 'urban development zones' and use 'urban development contracts' to develop green field or large brownfield sites for housing in the public interest. This enables them to buy land at existing use value and bring forward building plots for local people quickly, often for building groups (Baugruppen or Baugemeinschaften) at relatively low prices. Cities like Tübingen have made extensive use of these measures to bring forward custom build housing for local people.

Plots are also widely provided to local people on a leasehold (Erbpacht) basis by councils, particularly in Bavaria and other rural areas, in order to reduce costs and incentivise building.

The public sector retains ownership of the land with a building lease as a charge on the property (usually up to 99 years with short term leasehold and purchase options available).

Leaseholders can then build a home in their ownership but must pay plot service costs. Leases are typically paid quarterly and linked to the Consumer Price Index. They can also be extended. If the landowner (council) wants to take ownership of the property, they must compensate the homeowner for two-thirds of the current value of the home.

I heard from Dr Michael LaFond who said that the Berlin State now exclusively leases its land and offers sites to building groups and co-operatives to build high quality homes within set time periods. Sites are typically 'concept tendered' where applicants must demonstrate how they will create innovative, well-designed, affordable housing for disadvantaged population groups. This approach is now widely used by Councils across Germany. Dr LaFond stated: "Berlin has gone into the business of buying property from the market with the first right of refusal. This means that if a property comes onto the market, the city can intervene and buy it or say we would like someone else to buy it, which could be a cooperative. It is sort of like neighbourhood protection from gentrification". Herr Cord Soehlke, who is "Baubürgermeister" for the City of Tübingen (indirectly-elected Mayor for Building) described an idea they created called a "roof co-operative", where the City of Tübingen and private partners created one big co-operative, with various different projects all under one roof. This offered a great deal of freedom to individual projects, with potentially 30 or 40 different projects all under this one co-operative: As Herr Soehlke explained: "All the technical and legal parts can be dealt with at this higher level, while at the bottom level of the co-operative is the project energy, where the people provide the passion and energy for the project – they can

choose their own architect and project manager, but it is still a co-operative".

Notwithstanding such measures, the German housing market is finding it increasingly difficult to deliver housing which meets demand and is affordable, particularly in urban areas, with key barriers including lack of housing land and complex regulation. This is now being addressed through new laws which have recently been approved by the German parliament (see box below).

Legislative action to promote more affordable housing in Germany

The new German law on the mobilisation of building land ("Baulandmobilisierungsgesetz") came into force in June 2021 and has made sweeping changes to enable more affordable housing.

This includes:

- Time-limited changes to allow built up areas to be zoned specifically for subsidised affordable housing.
- Extended rights of first refusal for municipalities to intervene where land allocated in a local plan and is being sold, allowing them to buy the land under the same terms as agreed with the buyer, subject to certain conditions like being in a high housing demand area.
- Enabling Councils to stop the conversion of rental apartments into owner occupation where more than five residential units are involved.
- Time limited extension of the law enabling Councils to accelerate the preparation of zoning plans for sites with homes up to 10,000 sqm floorspace, where they adjoin existing settlements.
- A new "village residential zone" land use category to enable more development in villages and enabling higher density development through changes to makes zoning laws more flexible, including greater use of permitted development rights.

France

Despite high prices and housing shortages in the Paris region, France has steadily built on average about six homes per 1,000 inhabitant every year, with some 408,000 housing starts in 2019. Home ownership at 58% is lower than in the UK, but not dramatically so. A large social housing sector has contributed significantly, with the aid of direct subsidies to housing investment and production levels.

Many French people still favour single homes and about 1 in 3 homes (31%) are self-commissioned, mostly built by the large number of SME home builders. Planning is largely devolved to the communes or the Metropole for larger cities. As in Germany, there is a broadly a zone-based planning system in France applied through binding local plans (Plan Local d'Urbanisme), but with more discretion to make decisions within designations.

Significant effort is put into land assembly by municipalities and communes but there are state agencies with powers to buy and sell land (including through compulsory purchase) and collect taxes on development value.

Although prices are rising it is very common to find serviced building plots on the edge of towns and villages. These are usually facilitated by the local Mayor who directly acquires an area of farming land (at agricultural land values), and then secures permission for the land to be re-zoned for housing, which is then serviced by local contractors for sale at fixed price to local people to build their own homes, often with some local conditions imposed. The creation of affordable housing and retaining people in the community are key drivers for this action.

United States of America

The USA is similar to the UK in that house-building is almost wholly a private sector activ-

ity, apart from some very targeted social housing development in urban areas. In May 2021 housing starts rose 3.6% to a seasonally adjusted annual rate of 1.572 million units.

The country operates a diverse, federal state-controlled, but highly regulated land use zoning system (California notoriously strict, Texas notoriously flexible). In general, housing is more affordable across the US despite higher GDP per capita and on average homes that are larger than in the UK.

Unlike in the UK, there is a significant private sector land development industry which supplies serviced land to volume housebuilders. Although the US developed the mass production of standardised suburban housing, significant consumer pressure to produce more differentiated products has significantly diversified choice for homeowners. This has led to a steady increase in customisable housing where buyers can design their bespoke home online.

It is now normal practice for building companies to offer a one-stop-shop to new customers which allows choice over plot and house design. Large homebuilders like KB Home[®] who is one of the top 10 builders in the USA, having built over 11,000 homes in 2019, for example, offer customers a wide range of customisable house types on their sites. The company prides itself that no two of its homes are ever the same because it gives the customer the ability to personalise their new home, from floor plans to exterior elevations, to design options and choices over their plot.

The US Government also has a national Mutual Self-Help Housing programme which provide loans to low-income families to build their own homes through non-profit self-help 'grantee' housing organisations. The programme has facilitated more than 50,000 low-income families to build their own homes through

non-profit self-help housing organisations.

Self-help (sometimes also called ‘sweat equity’) means homes are built wholly or partly by their purchasers. People’s Self-Help Housing⁹ for example is the longest-serving non-profit housing organization on California’s Central Coast and exclusively targets low-income working families who cannot access decent and affordable housing. Under the self-help model families join together to build each other’s homes, earning equity, reducing construction costs, and making lasting investments in their community.

Australia

Most new housing in Australia is delivered by property developers who build customised new homes for new home buyers. Developers buy land once it is zoned and released for housing by the local council as part of their ‘Local Planning Schemes’ (local zoning plans). These plans typically include standards for plot sizes, required set-backs from boundaries and garden space. Special provisions are also included for multi-unit developments. In many cases, design guides and Codes are prepared by land-owners as part of new estates.

The builders then service the land, and either build homes and sell them as a complete house and land deal, or offer a number of standard or customisable home designs that are built to order.

G.J. Gardner Homes is one of Australia’s top 10 home builders, building about 2,000 homes a year across Australia, and has also expanded into the New Zealand and North American markets. The company offers off-the-plan builds for its customers from over 100 options, bespoke design custom home house and land package. It has a unique franchise model where local custom home builders, sub-contractors

and suppliers are contracted by the company to build the homes for customers.

Our analysis shows that about half of the new build housing market in Australia offers customers customisable new housing. This includes German-style building group developments which are coming forward around cities, especially in Western Australia.

Australia also has a First Home Loan Deposit Scheme which supports eligible first home buyers to build or purchase a new home. Owner builder loans for self-builders are also offered, but to access these loans people need an owner builder licence and must complete a recognised course.

Japan

Japan has one of the largest new housing markets in the world (6.42 new homes per 1000 people)¹⁰. Housing development involves individual households recycling their plots back onto the market. This means housing suppliers do not profit from trading in the land market.

Unlike in other countries, Japanese homes are typically replaced within about 30 years given that housing gradually depreciates over time. Our estimate is that some 56% of all homes are customisable, many being apartments, with 75% of newly built detached homes commissioned by individuals and built on their own plot of land.

Most of these homes are built by smaller local builders or larger regional or national suppliers like Sekisui House using factory-based systems using modern methods of construction which are customisable.

Japan’s planning is also zone-based where the government sets out clear guidelines on what can be built in each area. If new development complies with the rules it is allowed by right. This has helped with providing more certainty for house building. In 2018, Japan saw 942,000 housing starts.



Contrary to what many may think, it is perfectly possible to apply self build principles to apartment as well as houses. The fully completed and sold Black Jack Apartments in the Netherlands are a fine example of this approach to urban self building. This apartment is an important part of a highly successful urban redevelopment of a previously industrial area, which includes both self build terraces and house boats. Blackjack is a 38m high, mixed residential and commercial building that includes 8 and a half stories of residential self build.

The exterior of the Black Jack development was defined by the architect with clean modern lines of floor to ceiling glass exterior walls (or doors, or windows - you choose) surrounded on each level by a continuous terrace. The architect also designed the core central features - lifts and stairs and services. The approximately 300m² on residential each floor was then divided into approximately six hubs of just under 50m² - 48 hubs in total. These hub units could then be combined horizontally or vertically to create larger units. Homeowners could select both the size of their apartment and

importantly also its layout as well. This is because the apartment is delivered as a shell with the customer free to choose the location, size and arrangement of the rooms (in-house architects providing a service if required). Clearly plans need to comply with relevant building regulations.

The building was delivered by way of Collective Private Commissioning. This is typically a non profit association, which acts as the principal to the architect and contractor of the project formed from the purchasers of the units. Cost efficiency is achieved through a lack of developer profits, and through the costs savings that come from the choices of how to kit out each shell. Mortgages were available for those who needed them.

This approach of subdivision into small hubs, that can then be combined, is also applied to conversions of offices to residential spaces. The result increases affordability, choice and creates a more mixed community through the access to different sized plots. The first self-build shell apartments are now beginning to appear in London.

Netherlands

Despite its size, the Netherlands has led the way in innovation in the custom and self-build housing sector, with the new town of Almere being an international model of what can be achieved at scale and cities like Amsterdam, The Hague and Delft initiating a wide range of projects on public land.

Delft

The historic city of Delft, which hosts the University of Technology – the highest-ranked university in the Netherlands – has used custom and self-build to transform its approach to urban planning, with the explicit aim of becoming a more attractive destination for the industries of the future and the people who will work in them. See page 61

Transferable lessons

I am clear that our custom and self-build industry continues to lag far behind other developed countries.

Although each housing market is different and is highly dependent on local culture, administrative, regulatory and financial regimes that exist in each housing market, there are a number of notable conclusions for my analysis of other market which I think are relevant to the UK.

Land Assembly / infrastructure – most other countries have a more developed land development or land assembly function. In Europe this is largely a public sector function, in the US and Australia there are private land development companies. In both cases the output is

the provision and sale of permissioned serviced plots to both individuals and housebuilders.

Planning – the planning system in almost every country is based on some form of zoning which allows the owner of zoned land to build whatever is permitted by the rules. There are different levels of flexibility in different regimes. However, essentially one has a right to build whatever is permitted by the zoning regulations.

SME builders – custom and self-build is largely delivered by smaller and medium sized, often local, builder. Boosting serviced plots, will drive up SME housebuilding significantly.

Customer Choice – other markets offer homeowners far greater choice over the type and design of their homes. Even volume builders in the US and Australia offer significant customer choice and options to customise their homes. The German show home park concept is a key driver for take up.

Delivery at scale – there is no doubt that custom and self-build housing on serviced plots can be delivered on both small and very large sites.

Customisation and Modern Methods of Construction (MMC) – customisable homes are very dominant in other markets and many use MMC.

Support – other countries offer custom and self-builders more support, whether through schemes like the First Home Loan Deposit Scheme in Australia, Self Help Housing Programme in the US or easy access to mortgage finance in Germany.

ⁱLaying the Foundations: A Housing Strategy for England (Page 14, HM Government, 2011)

ⁱⁱ<https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

ⁱⁱⁱ For example immonet.de; immowelt.de and immobilienscout24.de.

^{iv} www.kbhome.com

^v www.pshhc.org

^{vi} <https://www.statista.com/statistics/667913/japan-dwellings-construction-starts-2015/>



A modern new self-build thatched house in a beautiful neighbourhood near Amsterdam, The Netherlands



Asked whether they were worried about the home designs of others, residents simply responded: "Why would anyone choose to build a home that was not as beautiful as they could make it?"



A beautiful garden square created from self-build plots at Escamplaan in The Hague, Netherlands

It is hard to image that this terraced square is surrounded by dual carriageway industrial units and bland and uninviting 1980s homes. The housebuilders have given up some of their private gardens for a larger community space that they

then decided together how to landscape. Individuals signed up for the chance to get a plot of their chosen width and then built homes of different heights and sizes, enabling a postman to live next door to a surgeon. The same builder was chosen to build many of the substantially different looking homes. Residents praise the tremendous sense of community.



A beautiful row of new custom-built terraced houses in Delft, The Netherlands

The historic city of Delft, which hosts the University of Technology – the highest-ranked university in the Netherlands – has used custom and self-build to transform its approach to urban planning, with the explicit aim of becoming a more attractive destination for the industries of the future and the people who will work in them.

A major urban redevelopment in the city centre has seen a previously raised rail line which had cut through the city centre placed underground, while the train station area was substantially redeveloped.

Higher density self-build terraced homes and apartments led the redevelopment process, helping to attract and retain wealth creators linked to the university. The project has increased the desirability of the area for subsequent phases of development.



Chapter six

Delivering real change that works

The lack of choice and competition within our new homes market has significant consequences for our nation in regard to both the demand for new homes and public attitudes towards housebuilding in general. We can build more and better homes that more people want to live in, which are greener and cost less to run, which communities are happier to see built – and which ordinary people on normal incomes can afford to buy.

As evidenced elsewhere in this report, the capacity to deliver more self-commissioned homes already exists here in United Kingdom and also overseas, if we should wish to fill a supply gap in the short term. There is a very strong evidence base of demand for self-commissioned homes that is additional to the existing supply of new homes. If more opportunities existed for consumers to commission a home of their own, then capital – attracted by dependable returns – would flow into this currently under-served market, creating jobs, skills and wealth. Other economic and social benefits would ensue from a nation housed in safe,

warm, healthy, well-designed and energy-efficient homes.

At the heart of the issue of our broken housing market is the current delivery model – increasingly hard-wired into the system – which produces an homogenous product that most people would not consider buying, which is on average smaller than anywhere else in Western Europe^e, which routinely falls short on supposed energy efficiency standardsⁱⁱ and is becoming ever more expensive.

How did we get here? Leaving the delivery of new homes almost exclusively to the private sector, a decision made in the late 20th century, should in theory have led to a highly efficient industry, driven by market forces to be innovative and diverse, with supply rising to meet demand. Yet somehow the very life force of a functioning, free market – competition – has been stifled. The new homes market is increasingly controlled by a small number of large housebuilders. SME housebuilders, individuals and community groups are increasingly left to pick up the leftover sites that don't fit the 'cookie cutter'.

The reasons that the number of SME housebuilders has declined over the past 20-30 years are well documented; the winnowing effect of boom and bust cycles in house prices, increasingly burdensome red tape, consolidation driven by the need to control land supply into a focus not on building new homes but instead making changes to the existing housing stock. It is ironic that the outcome of leaving housebuilding to the private sector is output every bit as bad as that of a centrally planned economy; characterised by under-supply, inefficiency, a lack of innovation and low productivity.

With their 'landbanks', addiction to taxpayer subsidy and supernormal profits, the big housebuilders are an easy target, but it is short-sighted to blame them or to attempt to curtail their output through market intervention. They are them-

selves a product of a system introduced in 1947 – The Town and Country Planning Act – which effectively froze in time the pattern of settlements as it was in 1941 and nationalised development rightsⁱⁱⁱ.

Competing to secure the means of production necessary to continue trading (roughly speaking, this means holding at least a six year land supply for a large housebuilder) is a natural response for any business. Optimising returns by managing output and keeping out competitors to avoid the oversupply of regional markets is exactly what shareholders demand.

A more liberal land market could have resulted in a very different outcome, much more akin to housing delivery models seen in the overseas studies presented in this report. But England is different, not least because land ownership itself is highly concentrated^{iv} amongst individuals, institutions and corporations that take a long term view on holding this asset class. Add in a plan-led system that is convoluted, slow and expensive to navigate, made worse by inefficient and inconsistent land value capture mechanisms, and the effective outcome is a very high barrier to entry for new, alternative models of housing delivery.

The political sensitivity of housebuilding also ensures that what little land does come forward for development is predominantly made up of large strategic sites that only the largest corporations can finance. Individuals, community groups and SME housebuilders are unable to compete. They lack the resources to promote land and secure an allocation for housebuilding or to fund front loaded land value capture mechanisms and unlike affordable housing providers are rarely brought in to take on part of a multi plot site.

There is widespread recognition that the system is broken, yet the status quo suits those making the planning decisions as much as the big housebuilders and crucially, also the politicians whose

constituents militantly object to ‘concreting over the countryside’. Under the current system, the inevitable political fallout from new housebuilding is highly concentrated on only a few voters. Meanwhile, under resourced planning departments can condense their workload by meeting land supply targets through allocating a small number of large strategic sites.

In theory it makes sense to centralise plan making and the means of production to mass produce housing for the nation cheaply and efficiently, rather than leave it to individuals or the relative inefficiency of SMEs. The benefits, however, are overwhelmingly in favour of the big corporations, which control land options, are able to hold significant influence over the planning process, exercise near monopoly control over new homes markets on a regional basis and use economies of scale to drive down costs and boost profit margins rather than increase output.

The outcome of the current system is that housebuilders compete with each other in the land market and not the product market. Unlike almost any other aspect of the modern consumer society, new homes are not shaped by the market forces of the customer, but those of the land market, which inflates prices, suppresses the size of new homes and gardens, leads to the homogenisation of product and constrains output.

My aim is not to replace the existing model of housing delivery but to improve on it by offering another alternative, at scale. To do this we need to address the challenges that are leading to the current under supply.

Approach to delivery

Whilst the custom and self build market is a spectrum defined by the principle of customer choice, it can be broadly separated into three delivery approaches.

Individual self build homes – these homes are typically single dwellings as a result of infills within or on the edge of existing settlements, replacement dwellings and conversions. These homes are typically individually designed, often using an architect / designer and built by a local builder. A high proportion use elements of modern methods of construction, and there is a strong incentive for long term owners to invest in energy efficiency and quality to reduce ongoing running and maintenance costs. These homes represent the majority of current supply, not least as they represent the main access route to land for individuals. There is significant potential to grow this sector, and at speed, in particular in areas of high housing demand and outside of larger settlements.

Small custom build developments – these are typically sites of up to around 20 homes on the edge of existing settlements. These homes may be offered as serviced plots or as customisable homes by a single developer who uses a design code to ensure the harmony of the site and with the wider area. There is significant potential to grow this sector, with high demand from those seeking the benefits of choice and of doing so alongside others and as part of a community.

Custom build developments within larger sites – for the market to become mainstream, the sector needs to develop on larger sites. These larger sites offer the potential for more affordable land and the opportunity for some greater flexibility with regards design and appearance. This market has the potential to become the prime delivery model but is currently the least developed, not least because it requires a scale of operation that does not currently exist to operate efficiently. There are also strong disincentives for large housebuilders who control such sites to bring in competitors for their own product, as well as the challenges of sharing access to a construction site with other parties outside of their direct control.

Delivering permissioned land through the planning process

Permissioned land is without doubt the single greatest constraint to the growth of the self commissioned housing market. Access to the land market through the provision of serviced plots is key to increasing delivery. This is a challenge faced by the whole sector but one that appears weighted against those that seek to provide housing diversity such as community groups.

The supply of homes is regulated by a plan-led system that is inefficient in delivering the right homes in the right places. I commend and support the Planning for the Future White Paper and the proposals to update and improve the planning system. The resistance to change is a projection of the current failing system where the losers are the silent majority seeking a greater range of more and better homes, a system heavily weighted in favour in ‘insiders’ at the expense of ‘outsiders’.

Obtaining planning consent is slow, burdensome, complex, expensive, and uncertain. Numerous witnesses have made the claim that the planning system is geared specifically towards the needs of volume house builders and large projects. This, in conjunction with the widely cited and self-evident resourcing pressures on planning departments, means that they have less capacity to engage with smaller scale plans. Witness testimony has set out how the reduction in local planning department capacity and an inevitable “tick box” approach.

Since 2012 the planning system has needed to consider the demand for custom and self build homes. In practice such activity is rarely undertaken in a robust way. The result is that local plans rarely reflect either the underlying demand or the underlying preferences of the market.

The sector is significantly supported by the Right to Build legislation. This works to a different (shorter) cycle to the local plan process. This

creates its own challenges not least the view from some that a local plan can trump this primary legislation. In practice both duties must be met, but the Right to Build duties are best met through a local plan that anticipates and accommodates the Right to Build.

The stated aim of the Right to Build legislation (as amended by the Housing and Planning Act 2016) was to double the size of the sector by 2020. This has not happened. Whilst the legislation has increased awareness and has been enthusiastically embraced by many local authorities aware of the benefits that such homes bring there has been too much inactivity and in some cases direct and shameful action to subvert the legislation. This includes:

- Local authorities stating it is acceptable to count every single residential planning permission as custom and self build.
- Local authorities adding unsubstantiated additional costs onto their already high fees.
- Local authorities requiring individuals to have a mortgage offer (for which they need access to permissioned land) before they can join a register aimed at helping them find permissioned land. This also excludes any assessment of demand from those seeking an affordable self commissioned home.

The Government has announced a review to make the Right to Build deliver as intended and this is needed before the legislation becomes optional.

In addition to addressing loopholes, it is important that the legislation and the planning framework provides a route to delivery of the plots that are needed. This is about delivering the right homes in the right places – ensuring buildings that are at ease with their surroundings and development on a scale appropriate with their surroundings.

In the short term there is substantial undersupply and high demand for single plots and smaller scale developments. The latter in particular

would benefit from and windfall / exception site policy linked to any under-delivery in response to latent demand but also and importantly under the Right to Build.

When made aware of the benefits many land-owners favourite a custom and self build approach. This is not just for the quality of the homes that are delivered, but due to the opportunity to sell land on a retail rather than wholesale basis. Too often however initial enthusiasm is dampened by a system focused on the sale to a single developer reinforced by a less favourable tax system for individual plot sales (see below).

The constraints are not just the access to land that is capable of being permissioned, it is the planning approach itself. Our planning approval system too often seeks to maintain the mediocrity of the past and fails to recognise the variation that exists, and is integral to, the beauty of our established settlements. Too much effort is being wasted on matters that are of marginal significance. Customers rather than planners are far better at making valued judgements over the quality and appearance of their home, albeit within a design code framework that delivers an appropriate level of harmony and alignment.

Lack of supply

It is hard to understate the challenge presented by the lack of access to development land, and the impact that it has on the supply of homes. It is not just the absence of land but the challenge of finding land and taking it through the planning process, from application, (appeal) and approval. This process involves time, money, and an appetite for risk. It is a process that many simply elect not to take and the housing supply that exists now is primarily the market a response to the challenges of access to land.

Most self-builds are built by local builders. The Federation of Master Builders (FMB) survey found 82% of its members who had built a new

home had done so to the design or specification of the homebuyer. Self build and micro development are closely related and the delivery of single plots is an important mechanism for growing the sector. Provide more opportunities for land on which to build and the market can grow to meet demand. For smaller developers this means more work initially through transferable skills but in the longer term through a larger workforce and / or modern methods of construction.

Custom and self build is not only already present on single plots. Many smaller local builders are willing to offer flexibility on design and specification on smaller multi-plot sites. This may be an active strategy (for cash flow reasons), part of their service led approach in response to the client needs, or a deliberate sales led approach. Smaller developers face wider challenges in addition to land including and importantly access to funding (see below).

Graven Hill represents the single largest custom and self build site in the UK. It has acted as a valuable source of learning for the delivery of such sites at scale. It has pioneered in the UK the use of design codes alongside a supportive planning process. It has shown how some customers are deterred by a full freedom of choice and the role in the market for a customisable model. This option is preferred by those who are time poor, and like the certainty that comes with such an approach. Graven Hill has also highlighted the challenges of access to mortgage finance and with some aspects of taxation, in particular VAT (see below).

Delivering custom build on large scale can be broadly divided into the delivery of serviced plots and the delivery of the homes on those plots. Delivering plots at scale requires the emergence of enablers acting from the earliest stage of the development process through to the sale of the plots. The delivery of homes on these plots requires a more significant investment in sales and

production capability, from multiple companies providing choice and competition. This missing market is an attractive opportunity but enterprise needs to have confidence in the ability to create the scale market that should exist but which has to date struggled to emerge.

Access to finance

Custom and self build is a financially attractive opportunity for developers. Funding is typically provided in stages, often upfront by the customer. This reduces risk, improves cash flow, and reduces funding requirements for the developer.

The market is currently well served with funding except for those with smaller deposits. This is primarily due to regulatory constraints rather than the risk appetite of lenders. The nature of the custom and self build process means that the current Help to Buy scheme cannot be used in most cases. This gap will be closed by Help to Build which is an important element in opening up the market to a greater range of buyers. However, the residential lending market has been woefully slow in reflecting the quality and sustainability of many custom and self build homes and this could become a significant inhibitor to growth (see below).

Despite the attractiveness of the funding profile for developers, this is not typically understood by the development finance markets who to date have failed to adapt their approach and their equity requirements to this different profile, a problem replicated with Homes England funding. This makes it hard for businesses to enter and expand within this market.

Modern Methods of Construction and sustainable homes

It is hard to empirically prove but it is generally accepted that custom and self build has been at the forefront of the development of more sustainable homes. This is most noticeable in the energy efficiency of the home but increasingly in the em-

bedded energy and the move to net zero. The last detailed report on the sector¹⁶ from completions in 2016 and earlier identified that: Around 50% of all self build homes had a sustainable primary heat source with air-source heat pumps being the most common (22%) followed by solar (11%) and ground source heat pumps (8%). The same report identified that around 50% of all homes were built using an MMC approach with the most common being timber frame (35%) and SIPs (8%).

The increased use of timber is highly suited to a customisable build. Greater use of timber, both inside and outside, brings particular benefits to a customised model due to the increased flow through into offsite construction and the subsequent speed of assembly. This in turn helps facilitate a market where there is the unlinking of the development of the land and the building of the home. As we have seen in Germany this allows the development of Show Home Parks a critical gap in the UK currently.

Greater use of timber requires homes that are safe and can be maintained. International experience demonstrates both these to be readily achievable.

The challenges of Tax

The tax system is broadly supportive to the delivery of new homes. However, it is a system that has been developed in response to a speculative build model. In a limited number of places, it is yet to be suitably flexed to accommodate self and custom build so as to not favour one approach to home delivery over another.

The result is not a greater tax take but a suppression of market activity and / or a route to delivery that is more tax efficient but less build efficient. Action to level the playing field will increase activity and in doing so facilitate more economic activity and a greater overall direct and indirect tax take.

The role of Homes England

Despite the reference to diversity within its strategic plan, Homes England has been overly focussed on

the easiest possible way for it to deliver the largest number of homes. As such it has reinforced rather than challenged the dominance of the largest housebuilders. It has no records to demonstrate the numbers of custom and self-build homes that it has delivered or the amount of funding it has supplied. However willing in theory; its processes and controls are not designed for the market that it clearly does not fully understand.

Homes England is changing. Its new purchasing approach is more inclusive and it is showing an appetite to at long last address the need for greater diversity within our housing market. It is embracing new technology and MMC but appears to have done so through the lens of a large builder (lots of the same) rather than a customer focussed manufacturer (such as the car market) offering mass customisation.

The Homes England Strategic Plan states: “We accelerate delivery, tackle market failure where it occurs and help to shape a more resilient and diverse housing market.” Now is the time to deliver on that statement, through ensuring that appropriate custom and self build plots are an assumed part of any Homes England development in the format most appropriate for the market and the site.

The Route Map

My recommendations below set out the detailed changes that I believe are needed to support growth in all parts of the custom and self build market.

- The core of any change is access to development land through a reformed planning system that is better attuned to delivering the opportunities to build the homes that people want to live in. This means serviced plots, whether single sites, small

multi plot sites or parts of a large strategic land site.

- Planning consent for ‘reserved matters’ details needs to be rules based and simpler to navigate, allowing housebuyers to make decisions on customisable elements of a new home on a serviced plot predictable, and securing lawful consent fast and simple. This is key to enabling developers to offer choice. Change this and we will reinvigorate SME builders and empower community led housing as well bringing diversity back into our housing market.

Make these changes and the evidenced demand for individually commissioned homes will lead to growth in the sector. There will still remain a substantial missing market for customisable new homes. This market has huge potential to deliver increased competition and quality and efficiency into the new homes market with the benefit of scale, but there is a current “chicken and egg” challenge.

Delivery of mass customisation is strongly aligned to modern methods of construction (well established in overseas markets). It delivers additional supply but needs confidence that the market will emerge and the land will be available, at the level an effective scale market requires. Homes England have a critical role to play here and an established (if underactive) capacity to address market failures.

Some of this new market risks being underserved by the challenges of access to finance. Help to Build is key but the lending market needs to flex towards the nature of the sector, and do more to embrace greener and more efficient technologies. As with tax, the changes required are fine tuning rather than fundamental but they are important.

ⁱ <https://www.architecture.com/-/media/gathercontent/space-standards-for-homes/additional-documents/ribacase-forspace2011.pdf>

ⁱⁱ <https://eciu.net/news-and-events/press-releases/2019/data-just-1-of-new-homes-being-built-to-highest-efficiency-standards>

ⁱⁱⁱ The financialisation of housing land supply in England

^{iv} <https://www.theguardian.com/money/2019/apr/17/who-owns-england-thousand-secret-landowners-author>

^v Home Building & Renovating Self & Custom Build Market report 2017



THE ECONOMIC ANALYSIS

1. The purpose of this economic analysis is to understand why it is that custom and self-build (CSB) remains a peripheral part of housing supply in England and to examine its potential for scaling up. CSB covers a spectrum of housebuilding activity. The Right To Build Task Force makes the crucial distinction that a self-build home is one built to the plans or specifications of the occupant on a single plot. A custom build home is built to the plans or specifications of the occupant on a multi-plot site actively managed by a third-party member.

2. The analysis estimates that CSB build in England is around 5 per cent of new supply. Within CSB currently, self-build is overwhelmingly dominant, but custom build probably has the greatest potential for scaling up.

3. On the one hand, the low share of CSB in new supply may simply reflect the public's preferences, in which case the housing market and regulation are acting in the public interest and, in the economic parlance, social welfare is maximised. On the other hand, the low share of CSB may be below what the public preference is, because of a market failure and/or institutional failure, in which case the housing market is not acting in the public interest and social welfare is sub-optimal.

4. It is important to recognise that the term 'market' is used relatively loosely in the context of housing supply, because the supply of land for housing is rationed through regulation (i.e. it is controlled by the planning system) and this means that housing delivery is not driven wholly by the market. It is better, therefore, to describe it as a system.

5. In examining whether the system is delivering what the public wants with respect to CSB, this analysis considers what the evidence says about the public's demand for CSB and whether, using our best estimates for supply of CSB, that demand is being met and so whether fundamentally there is a missing market.

6. It goes on to explore the reasons why a missing market could exist – why we are not getting more CSB – and what could be done to remedy this. It then goes on to consider the benefits of CSB. Manifestations of an improvement in social welfare include, conceivably, increased overall housing supply (i.e. filling a missing market), better quality of new housing, better value for the consumer (including an increased consumer surplus), greater sustainability, and other important outcomes such as these.

7. Finally, the analysis considers what the barriers to scaling up CSB are and what the scaling up potential of CSB could be in the context of getting us to the point where 300,000 homes are built in England each year.

DEMAND

8. There are two broad custom and self-build demand indicators: survey-based and Right to Build Registers. These are considered in turn.

Survey-based

9. A long time-series of general population surveys have shown a significant level of public interest in CSB. Studies have consistently shown that around a third of the general population are "interested" in self build, whilst 12 per cent report being "very interested" in the most recent YouGov polling for NaCSBA.¹ Contrary to perception, interest appears to be strongest amongst younger people and this also implies first-time buyers. One survey indicated that nearly half (48%) of those between 18-24 are interested and 45 per cent of those between 25-34. Another survey suggested that the numbers could be higher still, with 61% wishing to commission a home at some point in their lives, with even higher interest among 18-24 year-olds, at 83%.²

10. Given these are representative surveys, 'aspirational demand' can be gauged by assuming 12 to 33 per cent of all households would like to CSB, applying the 'interested' and 'very interested' shares to the household population. However, there is a distinc-

¹ <https://nacsba.org.uk/news/1-in-3-adults-interested-in-self-building/>

² Self Build: Exploring the Opportunity for a Self Build Mortgage Product (2018), Nationwide

tion between aspirational demand and effective demand. For example, many aspire to own a Ferrari but clearly cannot do so. Effective demand takes account of the budget constraint (and the availability of finance).

11. The number of transactions in the market – across the entire housing market, not just new build – is a reflection of effective demand. There are around 1.1 million housing transactions a year in England in the steady state, according to HMRC stamp duty data. There is of course wide variation by household type: older people move much less frequently, for example.

12. This suggests between 132,000 (12%) and 363,000 (33%) households in England a year wish to CSB and have the means of doing so, assuming parity in cost and in the availability of finance between CSB and other forms of housing purchase. There are reasons why this is not necessarily the case, especially given what is (usually wrongly) perceived as the higher risk profile of CSB; indeed, the small but quite mature CSB mortgage market – mainly offered by smaller building societies – has a lower default rate than for conventional mortgages.

13. This could be the number of CSBs a year in an unconstrained new build supply situation – for ex-

ample, one without a planning system and plentiful land for housing.

Right To Build Register demand indicator

14. Under the Self-build and Custom Housebuilding Act 2015 all Local Authorities in England must keep a register of people and groups of people who are seeking to purchase serviced plots of land in the authority's area. In practice registrations may reflect a more general interest in CSB rather than specifically serviced plots.

15. There were 45,664 households and groups on the Register as at October 2019.³ A later figure of 55,785 for October 2020 was obtained by the NaCSBA via Freedom of Information (FOI) request. Given this is a stock number, it gives an indication of unmet demand at those points in time.

16. All in all, the registers suggest demand for CSB in England is just over 16,000 a year (56,128 cumulative registrations / 3.5 years), though acknowledging 2016 and 2017 are likely to have significant pent up demand meaning the figure could be lower. But there are several reasons why the Register may not reflect the full extent of demand for CSB, notwithstanding wider demand for it beyond serviced plots (for those councils making the correct distinction).

Table 1: Individuals on Right to Build Register for CSB, 2016-2020, England

Year ending October	MHCLG published data			NaCSBA FoI request		
	Annual increase	Cumulative	Reported total	Annual increase	Cumulative	Reported total
2020	-	-	-	10,861	66,159	55,785
2019	10,703	56,128	45,664	11,420	55,298	45,665
2018	10,765	45,425	36,866	10,878	43,878	37,156
2017	16,796	34,660	30,901	15,000	33,000	33,000
2016*	17,864	17,864	17,864	18,000	18,000	18,000

*half year only (April to Oct)

³ 45,084 individuals and 580 groups. <https://www.gov.uk/government/publications/self-build-and-custom-house-building-data-2016-2016-17-2017-18-and-2018-19>

⁴ NaCSBA Right to Build Freedom of Information request: Analysis of local authority activity around the Right to Build registers, at 30 Oct 2019 <https://selfbuildportal.org.uk/news/freedom-of-inf/>

17. The first is that 31 per cent of councils now impose some restrictions on joining their Register (26 per cent in the previous year). 30 per cent apply local connection tests (24 per cent) and 15 per cent apply charges (12 per cent).⁴

18. Further, not all of those wishing to CSB are aware of the Register, indeed the NaCSBA VAT Recovery Survey suggests only 42% of the respondent custom self-builders are. Broader survey evidence suggests a very high proportion of the general public – between 83 and 87 per cent – is unaware of it, according to the YouGov polling for NaCSBA.⁵

19. For these reasons it seems very likely that annual CSB demand is significantly higher than 16,000 per annum. It may also be that the Register captures only predominately the self-build part of the wider CSB market.

20. All things considered, it seems likely that true demand for CSB in England is at least 30,000 a year, as a minimum, and could conceivably be as high as 100,000 homes a year. This is also reflective of the general population survey evidence and would also be more in line with what occurs in other developed economies across the world which suggests demand as high as 120,00 homes a year. True demand is taken to mean underlying (including latent) demand that reflects the public's preferences but cannot be realised due to structural obstacles.

SUPPLY

21. There are no reliable data for the number of

CSB homes built each year. Neither MHCLG nor the ONS publish statistics on CSB housing completions or net additions. Our best estimate is that CSB currently makes up around 5 per cent of housing completions each year. This is broadly in line with earlier reports, e.g. Lloyds (2013) suggested a range up to 9,000 homes annually with reference to Calcutt (2007), Ball (2011), Griffiths (2011), and suggests that CSB has not grown significantly over the last ten years or so.⁶

22. There are four broad CSB supply indicators: AMA Research estimates for self-custom build completions; HMRC VAT Refunds for DIY House-builders; CIL exemptions; and planning permissions data. An attempt was made to collate warranty data from CSB warranty providers, but the figures were low implying incomplete coverage. Some of the providers covering the whole market were unable to provide a CSB breakdown.

AMA Research

23. AMA Research has estimated 'self-build' completions of around 15,000 in 2019 in the UK.⁷ The research defines 'self-build' as any housing built by individuals or groups or individuals for their own use, so is likely to largely include custom build. The estimates are based on VAT returns but it was not possible to ascertain the precise methodology.

24. The figure of 15,000 compares to 250,000 new build completions and perhaps 300,000 overall net additions in the UK. This suggests CSB is no more than 5-6 per cent of new build supply.

Table 2: AMA research estimates of 'self-build' completions, 2015-2019, UK

2015	2016	2017	2018	2019
11,800	12,500	13,300	14,100	15,100

⁵ <https://nacsba.org.uk/news/1-in-3-adults-interested-in-self-building/>

⁶ "Build-it-yourself? Understanding the changing landscape of the UK self-build market", Wallace et al, Centre for Housing Policy (University of York) for Lloyds Banking Group, 2013

"The Calcutt Review of Housebuilding Delivery", Calcutt, Department of Communities and Local Government, 2007

"European Housing Review" Ball, Royal Institute of Chartered Surveyors, 2011.

"We Must Fix It: Delivering reform of the building sector to meet the UK's housing and economic challenges", Griffiths, Institute of Public Policy Research, 2011

⁷ the last full year pre-pandemic. "Self Build Housing Market Report - UK 2018-2022", 7th Edition, AMA Research

Table 3: HMRC VAT refunds & Na CSBA estimates of CBS, 2014/15 - 2018/19, UK

	2014/15	2015/16	2016/17	2017/18	2018/19
VAT refunds	6,060	6,364	6,545	6,650	6,751
% claiming	n/a	50.3%	n/a	50.8%	51.1%
Estimate	n/a	12,652	n/a	13,079	13,210

HMRC VAT Refunds

25. NaCSBA has estimated that there were around 13,210 self-build completions in 2018/19 in the UK, including 10,912 in England.⁸ However the VAT refund data are for claims received and it is observed that around 20% do not result in a refund, suggesting these figures could be an overestimate. The HMRC VAT Refund for DIY housebuilders data indicates custom self-build has been rising moderately over the last 5 years, but only if we assume a relatively constant share of people claiming it:

26. The NaCSBA estimate is based on HMRC data on VAT refunds for DIY homebuilders and the NaCSBA VAT Survey (2019) which found from a sample of 300 that 51.1% of self-builders use the DIY Homebuilding Scheme to recover VAT.⁹ Looking at earlier VAT surveys the share claiming the VAT refund has been fairly constant over the years with 50.3% using the Scheme in 2016.

27. The 13,210 number is reasonably close, albeit slightly shy of, the AMA Research figure for 2018 of 14,100 (again, both are UK and VAT-based). VAT-based estimates are DIY builds and so more likely to exclude some custom build. However, the VAT-based data can still be treated as approximating to a whole of market view.

28. This latest number also compares favourably to the mid to late 2000s (prior to the financial crash) when there were consistently around 10,000 self-build completions a year in the UK judged by this metric.

CIL Exemptions

29. The Community Infrastructure Levy (CIL) applies in England and Wales, where each local authority can choose whether to charge it or not. Selfbuild homes are exempt from the CIL charge. 160 English Local Planning Authorities charged CIL as at 1 October 2019 (excluding the London Mayoral CIL and

London Legacy Development Corporation), a number that has been rising in recent years.¹⁰ It suggests around half of English Local Planning Authorities, out of a total of 327 (in 2019), are charging it.

30. NaCSBA's annual FoI request to local authorities includes a question about the number of self-build exemptions that were granted in their area. 115 local authorities have provided a response over the last four years. During that time, these councils had an average of 80 exemptions each over the four-year period, the aggregate total across all the councils was 9,108 exemptions over the period and 2,302 a year on average.

31. Pro-rating this annual average to the 327 English Local Planning authorities – i.e. assuming they would have the same level of CIL exemptions for self-build if they charged it – implies only around 6,500 self-builds in England a year.

New build planning permissions

32. Data obtained from Glenigan provides the total number of planning permissions by site size – with 1&2 unit sites providing a first-order proxy for 'self-build'.

33. Approvals are recorded at the detailed planning stage. Where a project has secured outline planning approval and the detailed consent is being resolved through the approval of reserve matters the date of 'detailed consent' is deemed to be that of the approval of reserve matters. In the case of some projects, the reserve matters are approved piecemeal; in these circumstances the earliest approval date has been used in order to avoid double counting.

34. Figures collated by Future, the company behind Homebuilding & Renovating magazine are somewhat higher: single dwelling permissions, including conversions, of around 15,000 annually for the UK and 12,000 for England (average 2016-2019).¹¹

⁸ NaCSBA Custom and Self Build VAT Recovery Survey 2019: VAT Reclaims as a source of number of Self Builds

⁹ NaCSBA Custom and Self Build VAT Recovery Surveys (2016) and (2019): VAT Reclaims as a source of number of Self Builds

¹⁰ <https://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what>

Table 4: Glenigan approvals data, number of units by project size, 2015-2020, England and GB

	England		Great Britain	
	1&2 units	All sizes	1&2 units	All sizes
2015	10,465	260,778	11,665	288,348
2016	7,503	293,127	8,378	323,061
2017	7,782	323,070	8,594	361,183
2018	11,648	316,816	12,645	356,227
2019	8,156	328,140	8,912	381,885
2020	5,469	282,081	6,083	320,225

35. The above Glenigan figures are based on a definition used by the Home Builders Federation (in their quarterly new housing pipeline reports), and may under-state smaller sites (particularly conversions).¹² Alternative figures provided by Glenigan, based on different criteria, show 1&2 unit approvals of around 13,500 annually for England (four year average to October 2020). An estimated 9,500 being single dwelling permissions, so closer to the Future figure.

36. Other permissions data is reported to MHCLG. The data shows 10,134 approvals in the year ending October 2019, with 28,009 cumulatively granted over three years (close to 10,000 a year on average). Local authorities are asked to report the number of serviced plots – but in practice many councils appear to be counting a wider range of sites.

37. Table 5 shows the MHCLG Right to Build (RtB)

monitoring figures alongside 1&2 unit approvals recorded by Glenigan (HBF definition and an alternative measure).

38. The planning datasets provide a broad picture, but each with strengths and weaknesses such as 1&2 unit approvals excluding CSB plots on larger sites, and a proportion of 1&2 unit sites being developer-led (speculative) rather than customer led.

39. Regarding the first issue we asked Glenigan to conduct a filtered search of their data to pick up sites where project descriptions included certain key words, including “Self-build” and “Custom-build”.¹³ 562 projects were identified in England, where a planning application had been submitted and/or decided in the period 2017Q1 to 2021Q2, for sites of 3+ units. These projects include a total 17,945 units, of which 4,512 are CSB units.

Table 5: MHCLG RtB monitoring and Glenigan 1&2 unit approvals, number of plots/units, 2017-2020 England

YE Oct	MHCLG RtB monitoring	Glenigan 1&2 unit approvals	
		Consistent with the HBF*	Alternative measure
2020	N/A	5,884	13,577
2019	10,134	11,838	10,625
2018	9,229	12,898	10,436
2017	8,646	8,600	19,189

*consistent with table 4, as per the HBF definition, but presented YE to Oct rather than calendar year

¹¹ www.futureplc.com Data made available via NaCSBA

¹² <https://www.hbf.co.uk/policy/policy-and-wider-work-program/new-housing-pipeline/>

¹³ Full list of search terms: “Self-build”, “Self build”, “Custom-build”, “Custom build”, “Custom”, “Serviced plot”, “Serviced plots”

Table 6: Filtered sites (based on CSB key terms), project units, 2017 Q1 - 2021Q2, England

	Projects	All units on site	CSB units
Granted	182	6,089	1,538
Outline Plans Granted	78	1,391	634
Outline Grant after Appeal	3	550	54
Detail Plans Granted	56	2,260	449
Plans Appr on Appeal	1	168	8
Reserved Matters Granted	44	1,720	393
Refused	176	3,867	1,198
Outline Plans Refused	130	3,444	955
Detail Plans Refused	46	423	243
Withdrawn	49	1,490	340
Outline Plans Withdrawn	30	422	227
Detail Plans Withdrawn	19	1,068	113
Yet to be determined	155	6,499	1,436
Pre-Planning	4	71	71
Outline Plans Submitted	92	2,838	880
Detailed Plans Submitted	46	2,946	382
Application for Reserved Matters	13	644	103
Grand Total	562	17,945	4,512

40. There were a total of 1,538 CSB units approved over 4.5 years – an annual average of 342 units. Excluding outlines the average is 188 CSB units on sites of 3+ units. A caveat however is that the data is likely to underestimate the true numbers. We are aware of some larger schemes permissioned before 2017 and others that do not explicitly mention any of the search words. Graven Hill for example is not picked up. An outline permission for the 1,900 unit site was granted pre-2017 and reserve matters within the sample timeframe do not mention any of the key terms.

41. CSB permissions on sites of 3+units are unlikely to be much more than 500 annually. All told we estimate a range of permissions and associated completions estimates as follows:

42. The planning-based estimates suggest annual CSB completions of 9,000 to 11,500 in England – the upper end being broadly consistent with the UK-wide AMA Research and HMRC VAT estimates (in relation to total average completions in the period 2017-2019).

The demand-supply imbalance

43. Annual CSB supply of around 10,000 in England is far less than the estimated demand for CSB of 30,000 to 100,000. The shortfall is between 20,000 and 90,000 annually. This can be viewed in the context of overall housing supply. There were an estimated 243,770 net additional homes in England in 2019/20 (3-year average 236,000). This means a gap of around 60,000 on the Government's target of 300,000.

Table 7: Approvals-based estimate of CSB completions, England

	Estimates
Glenigan 1&2 unit approvals	13,500
Estimate of CSB on sites of 3+	+200 to 500
Estimate for speculative units on 1&2 units sites	-15% to -30%
Ratio of completions to permissions ¹⁴	95%
Completions estimate	9,000 to 11,500

¹⁴ Based on a sample of CSB sites obtained from Glenigan

44. Any increase in CSB beyond 60,000 would fully displace other forms of supply assuming need is capped at 300,000. Below this, the level of additionality depends on a number of factors including land constraints – explored further in the net additionality section.

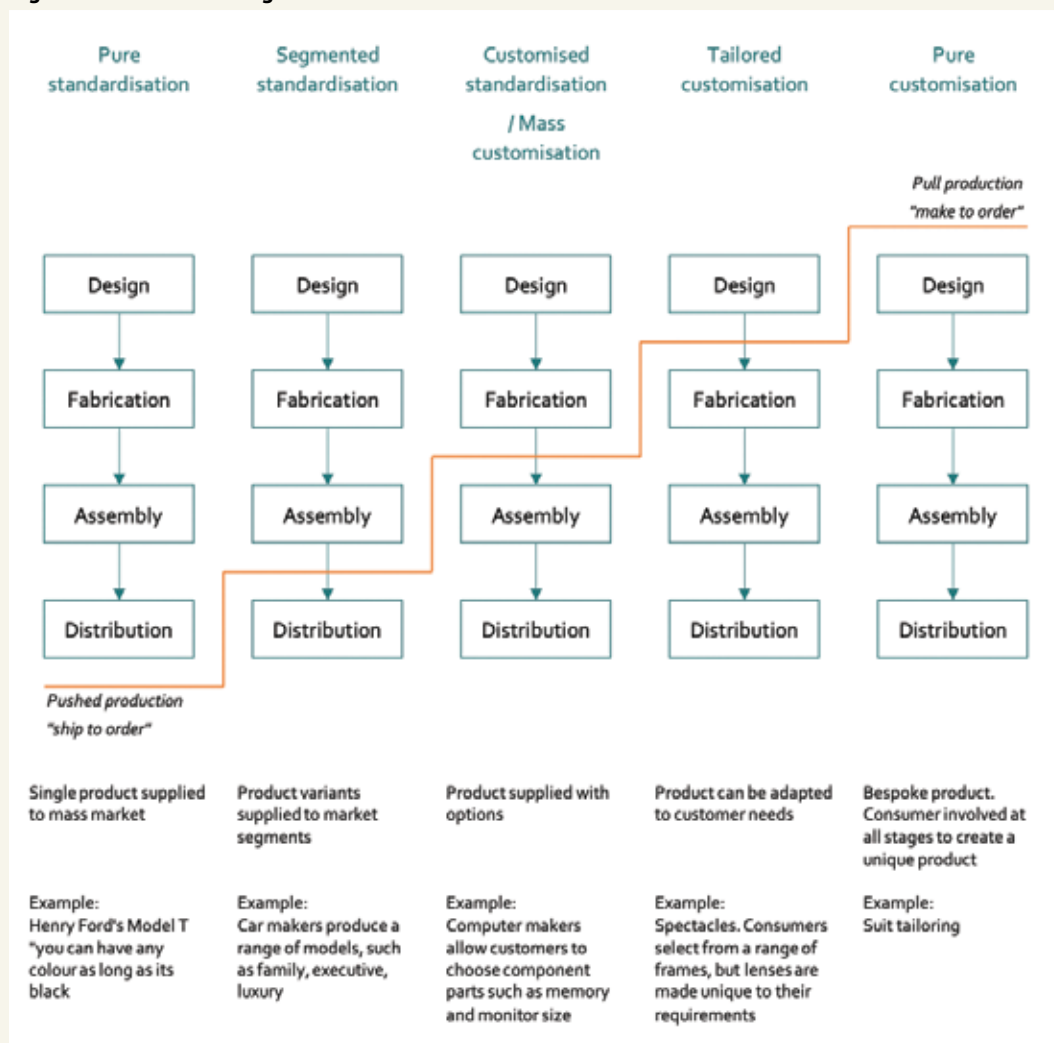
CUSTOMISATION VERSUS STANDARDISATION

46. The early 20th Century saw industry become dominated by the (Fordist) mass production of

standardised products. Since then, many sectors have moved away from pure standardisation (“you can have any colour as long as its black”) in response to consumer demand and taking advantage of technological advances.

47. The table below shows a range of business strategies suggested by Lampel and Mintzberg (1996).¹⁵ The continuum is based on four stages of the value chain: design, fabrication, assembly, distribution.

Figure 1: Business strategies



Sources: Lampel and Mintzberg (1996), Barlow et al (2003), Santos Hentschke et al (2020)¹⁶

¹⁵ "Customizing Customization", Lampel and Mintzberg, MIT Sloan Management Review, 1996

Economic forces

48. Economies of scale. Product standardisation allows companies to produce at high volumes for the mass market – driving down unit costs. This does however mean products reflect the aggregate rather than individual need.

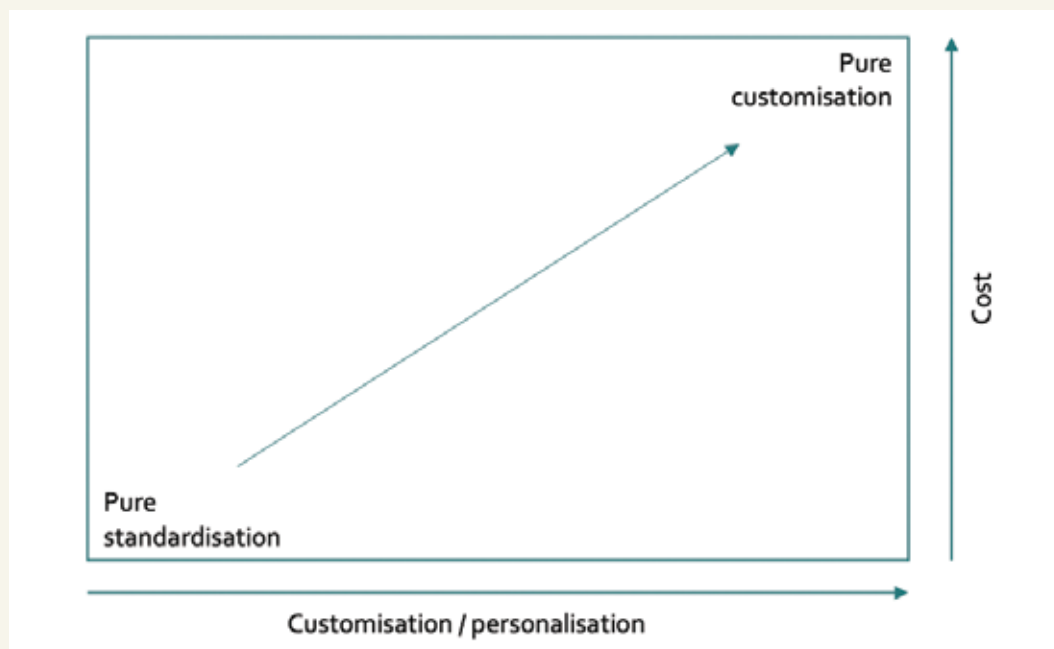
49. Economies of scope. The growth in market size associated with globalisation has enabled many industries to combine the benefits of mass production with greater product diversification. Products reflect the aggregate of need in market segments rather than individual need.

50. In many industries, the pressures of competition have forced companies to adopt mass custo-

misation – and to minimise the trade-off between efficiency and choice. Mass customisation has been defined as: "producing goods and services to meet individual customer's needs with near mass production efficiency". [Tseng & Jiao, 2001]¹⁷

- Product variation can improve companies' competitive advantage and support efficient capacity utilisation.
- The further move to mass customisation may involve some trade-off between the efficiency of mass production and consumer choice.
- However, technological change has allowed companies to mass produce a variety of models or variations of standard models at little extra cost. A fully automated production facility does not need

Figure 2: Efficiency/consumer choice trade-off



¹⁶ "Customizing Customization", Lampel and Mintzberg, MIT Sloan Management Review, 1996

"Choice and delivery in housebuilding: lessons from Japan for UK housebuilders", Barlow et al, Building Research and Information, 2003

"A Customer Integration Framework for the Development of Mass Customised Housing Projects", Santos Hentschke et al, Sustainability, 2020

¹⁷ "Mass Customization", Tseng & Jiao, chapter 25, Handbook of Industrial Engineering: Technology and Operations Management, 2001

to be “re-tooled” every time there is a change, as was the case for early production lines.

- Providing greater choice does mean companies can seek to extract more consumer surplus. In other words, they can seek to charge a higher price – reflecting consumers’ willingness to pay – as a balance to any loss in efficiency.
- The degree of personalisation in the economy is anticipated to increase as part of so-called Industry 4.0 – beyond mass customisation – enabled by technology providing new forms of interaction between customers and firms. The risk is that UK housebuilding falls even further behind the curve of economic progress.

Read-across to UK housebuilding

51. UK housebuilding falls into two main categories: segmented standardisation (the majority of new supply provided by the major housebuilders) and pure customisation (the relatively small self-build market). This polarisation suggests there is a missing middle.

52. This is surprising. Whilst many of the products we consume are standardised, higher value products tend to be supplied to market with a higher degree of personalisation. The car market, once about mass production, is now centred on mass customisation (Kabasakal et al, 2017).¹⁸

53. With UK housing the general picture is that people must take what they’re given – with location being a key consideration and housing choices constrained by the existing stock, or a relatively small and relatively homogenised new supply of the major housebuilders. A significant proportion of the population won’t even consider buying a new home, according to survey evidence. Yet the existing stock often falls short of what people

actually want – and this is part of the reason households spend an estimated £22bn on home improvements each year.

54. The UK housing market is at odds with sentiment and general market trends. A recent Deloitte report found that, on average, 36 per cent of consumers expressed an interest in purchasing personalised products or services. [Deloitte]¹⁹

55. Product modularity (or modular architecture) is often cited as one of the key elements of mass customisation – helping to minimise the trade-off between efficiency and choice.

*“The mixing and matching of modules in different combinations leads to high product variety, whereas high volume is achieved by using a limited number of modules across a large number of product variants”. [Rocha et al (2015)]*²⁰

*“[T]he primary objective in mass customization can be summarized as to achieve flexibility as well as efficiency in manufacturing. For such purpose, the key solution was in modular, generic product architecture.” [Kabasakal et al (2017)]*²¹

56. This is at odds with the major UK housebuilders’ supply chain strategies and high degree of on-site assembly – and raises the question whether custom housebuilding can be aligned with efforts to drive up the use of Modern Methods of Construction (MMC). As covered later in this chapter – countries with high levels of customisation are often associated with high levels of MMC such as in Germany.

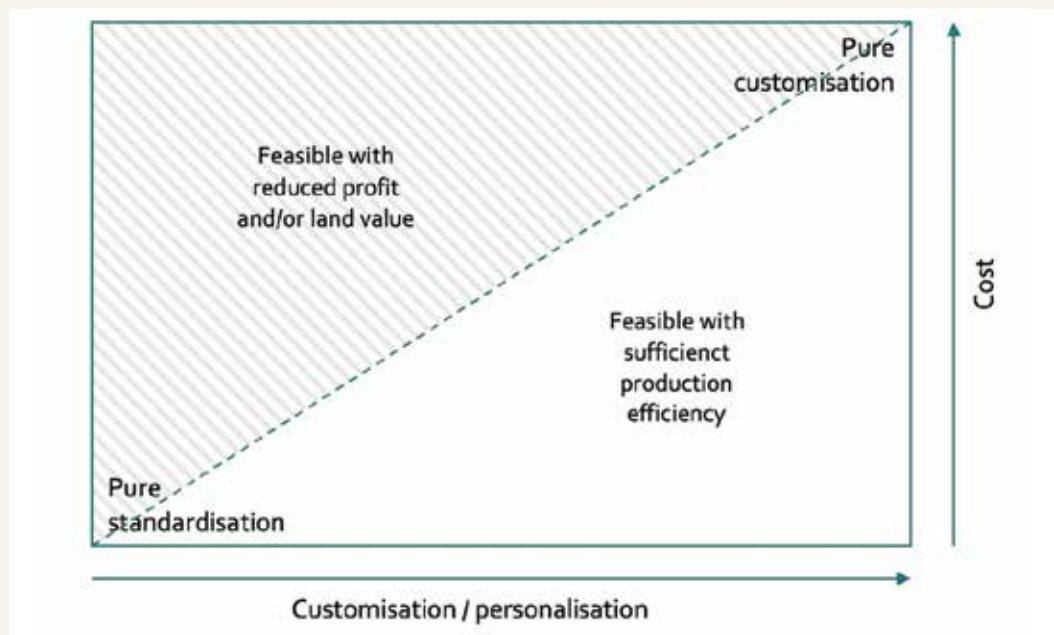
¹⁸ “From mass customization to product personalization in automotive industry: potentials of industry 4.0”, Kabasakal et al, Pressacademia, 2017

¹⁹ “Made-to-order: the rise of mass personalisation”, Deloitte, The Deloitte Consumer Review, 11th edition, 2015/16

²⁰ “Adopting Product Modularity in House Building to Support Mass Customisation”, Rocha et al, Sustainability, 2015

²¹ “From mass customization to product personalization in automotive industry: potentials of industry 4.0”, Kabasakal et al, Pressacademia, 2017

Figure 3: Efficiency/choice trade-off - feasibility space



57. Any increase in the cost of production (associated with more consumer choice) needs to be balanced against other factors – lower profit, land value, or higher price (linked to willingness to pay). In the diagram, the upper bound of willingness to pay is depicted by the diagonal dotted line.

58. It's obvious that housebuilders would not volunteer a reduction in profits. The profit margin can only be avoided by circumventing mainstream housebuilders (self-build). The alternative is to drive down the profit requirement – linked to the risk profile of investment (profit margin reflects the cost of capital including industry risk). The ability to pass on additional costs to landowners is constrained by a highly competitive land market. However, a higher degree of personalisation is often possible on smaller sites not in demand from the major housebuilders but not constrained by land viability.

59. Aside from flexibility in profit and land price, the potential for customisation therefore comes down to consumers' willingness to pay in combination with production efficiency (which determines the possible supply price). This is because housebuilding involves a high degree of on-site assembly – meaning additional choice has time-cost implications.

60. As already noted, the levels of production efficiency needed to deliver cost-effective customisation may be linked to the adoption of Modern Methods of Construction – with implications for housebuilders' supply chain strategies. But even with greater adoption of MMC, it is debatable whether UK housebuilders will deliver customisation to the same degree as other industries such as car manufacturing without facing much greater competition.

61. In other industries, such as the car market, the move to mass customisation occurred in response to fierce global competition – which forced manufacturers to look beyond the provision of standard, low cost products, to better meet the needs and desires of customers. [Alford et al (2000)]²²

62. By contrast, the UK housebuilding market is not exposed to international, or even national competition. Housing markets are very localised and the structure of the industry, which is built around land scarcity, means housebuilders compete in the land rather than product market.

Whether UK housebuilders will move towards increased customisation is, however, unclear. Perhaps the foremost inhibitors in a market dominated by speculative production are the land-oriented devel-

²² "Mass customisation — An automotive perspective", Alford et al, International Journal of Production Economics, 2000

²³ "Choice and delivery in housebuilding: lessons from Japan for UK housebuilders", Barlow et al, Building Research and Information, 2003

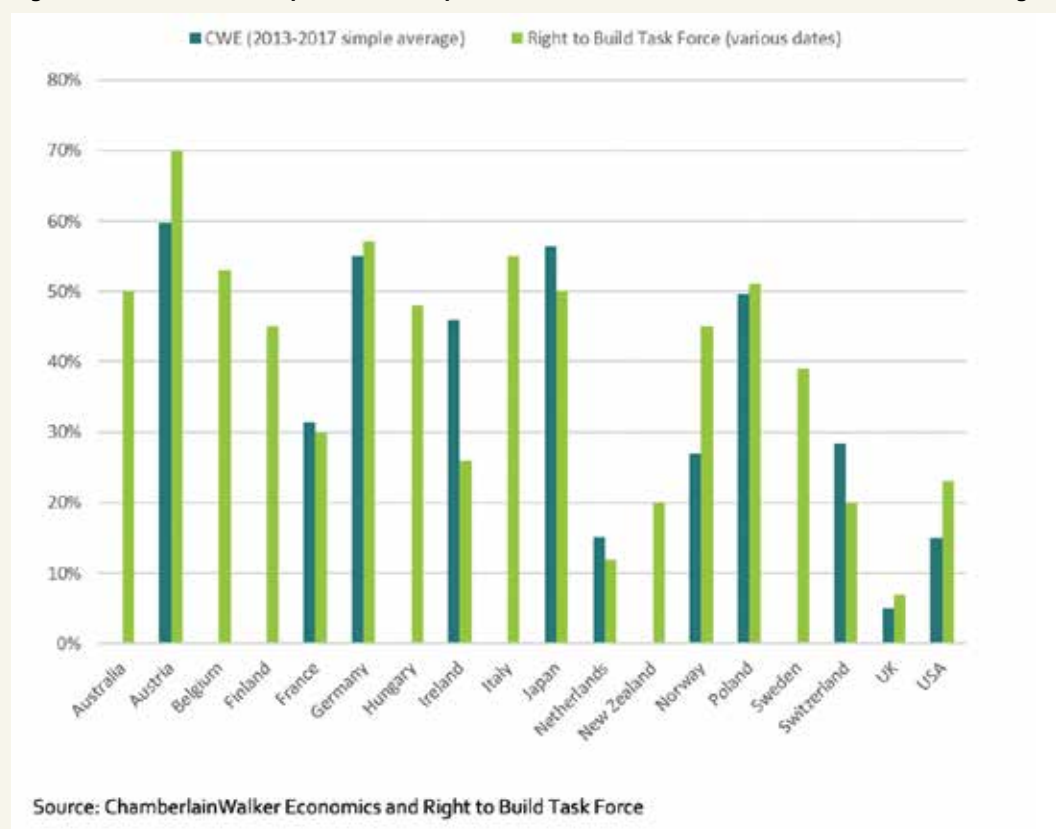
opment process and the lack of competition from alternative supply sources. The dominant competitive strategy of the UK's speculative housebuilding industry has been driven by the ability to benefit from profits accruing from land development. Housing sales' prices are derived from what the market will bear, based on the cost of production and land, together with expected profits. In contrast, producers in other competitive consumer goods industries are forced to innovate to reduce production costs below sales prices in order to achieve profitability and also to develop new products to differentiate themselves in the market. [Barlow et al (2003)]²³

63. However, there is scope for growth – with levels of customised housing delivery much higher in other countries, and lessons for the UK.

INTERNATIONAL COMPARISONS

64. Again, the level of CSB provision in the UK is exceptionally low by international standards, given it is likely to be around 5 per cent of new supply. The chart below shows estimates for a range of countries – including new estimates produced for this study and earlier estimates produced by the Right to Build Task Force. There are some differences between the two sets of estimates – largely due to different timeframes (see annex for further details). However, both sets of figures broadly confirm the rankings and the UK languishing behind.

Figure 4: International comparison of self-provided/commissioned build as % of new housebuilding



65. Globalisation has had very little impact on the housebuilding industry. This is because there's often significant state involvement in the process and detailed and complex regulation of land. These interventions and regulations are particular to each country. For example, neither housing nor planning has ever been within the remit of the transnational EU.

66. To understand the differences in custom and self-build output you have to understand the differences in how the housebuilding industry is structured and regulated. These differences were explored in detail earlier in Chapter 5 "Learning from Overseas", but some of the key points are as follows:

Japan

- One of the largest new housing markets in the world.
 - Availability of large sites is severely constrained.
 - Notably unusual for the short life of its housing (20-30 years, though this is changing), with individuals 'recycling' their plots back onto the market and a large proportion of new build commissioned by individuals.
 - 75 per cent of newly build detached houses are commissioned by individuals and built on their own plot of land. This means housing suppliers do not profit from trading in the land market.
 - The remaining 25 per cent of new houses – and the bulk of the market for new apartments – are built speculatively for sale.
 - In terms of the 75 per cent, these are delivered by either (1) smaller, local housing suppliers (2) larger regional or national suppliers using factory-based systems. Housing suppliers concentrate their competitive strategies on production, customer service and choice.
 - Examples: Toyota Homes; Sekisui Heim; Sekisui House.
- Sources: Barlow et al (2003)²⁴, Wikipedia*

Netherlands

- In contrast to countries such as Germany self/custom housing declined significantly in the Netherlands.
- The 2001 Dutch National Housing Report stated a third of Dutch housing production should be self-build by 2040 (at the time the percentage was around 15 per cent). The Netherlands remains at the lower end of European countries – at around 15 per cent.
- However, progress has been made in some parts of the country. Almere is a well-known example of large-scale self-build.
- Like many European countries land development is a state-led activity. Municipalities will designate an area for development, buy the land and produce a masterplan and put in infrastructure and then sell plots, blocks or city zones to developers.
- In theory this should allow municipalities to deliver the self-build target – but in practice there are constraints. The original land owner – often a developer – has right of first refusal buying back plots. There are finance barriers to self-build which limits demand and municipalities need to balance the need for institutional affordable housing and the need to finance the development with a commitment to self-build.

Sources: Lloyd et al (2015)²⁵

Germany

- The German housing market is characterised by very high levels of self-provided housing (55%) but also low levels of home ownership (around 50%, compared to over 60% in UK – rooted in massive state sponsored investment in the private rented sector in the 1950s).
- German planning is firmly rules-based with legal rights to build in areas zoned for housing which significantly reduces the risks for self-providers. Municipalities produce preparatory land use plans (Flächennutzungsplan) which sets out the vision and zone designations and the binding urban land

²⁴ "Choice and delivery in housebuilding: lessons from Japan for UK housebuilders", Barlow et al, Building Research and Information, 2003

²⁵ "Self-build in the UK and Netherlands: mainstreaming self-development to address housing shortages?", Lloyd et al, Urban, Planning and Transport Research, 2015

use plan (Bebauungsplan) which contains binding designations for all developments.

- Land readjustment is a normal part of the process, in effect the municipality pooling the land and preparing it for development. This allows the municipality to control the form of development, recoup the costs of servicing and infrastructure and possibly to receive some of the uplift in land value, as well as to remove delays caused by a lack of infrastructure.
- Labour laws also have an impact in Germany with restrictions on subcontracting by large construction firms which means that there remains a significant SME building sector that in turn supplies the significant demand for customised homes.
- Hamiduddin 2015 found that group building (and by implication self-building) has flourished because the power of speculative providers (especially over the land market) is curtailed and effective municipal control of land allows the provision of infrastructure, freezing of land prices and disposal through competitive bidding (not just based on price).

Sources: [Hamiduddin & Gallent (2015)²⁶, Monk et al (2013)²⁷

France

- Rates of home ownership are similar to the UK.
- Planning is mainly in the hands of Communes or groups of Communes (2,500 of them) or the Metropole for larger cities. It is broadly a zoning system but with some discretion to make decisions within designations.
- Significant effort is put into land assembly by municipalities and communes which is seen as a key part of the planning system. Much of this is done on a voluntary basis but there are state agencies with powers to buy and sell land (including Compulsory Purchase Order) and collect taxes on development value and payroll - hypothecated to fund infrastructure.

- The SME builder sector is significant in France, partly because self-commissioned homes remain a large part of the market but Ball (2003) suggests that the sector is supported by strict labour laws that apply to larger builders.

Sources: Ball (2003)²⁸

USA

- The US is similar to the UK in that housebuilding is almost wholly a private sector activity, apart from some very targeted social housing development in urban areas.
- The planning regime varies significantly across the country because it is a state matter – and in many cases devolved to the very local level. However nearly everywhere operates a zoning system with greater or lesser levels of regulation (California notoriously strict, Texas notoriously flexible).
- Unlike the UK there is a significant private sector land development industry supplying serviced, permissioned plots to volume housebuilders.
- The US developed the mass production of standardised suburban housing (Levitown), now there is significant consumer pressure to produce more differentiated products but while there are various models on offer with fitting-out options, many probably do not meet the definition of “customised”.
- That said there is a significant CSB sector which reflects the availability of land, an industry that produces serviced plots and a planning regime that in many areas is relatively liberal.

Sources: Moore & Adams (2012)²⁹

Factors relevant to greater personalisation in the UK

67. You can't transfer housebuilding models from one part of the world to another, as so much depends on individual histories and cultures, as well as the role of the state and regulatory and financial regimes. However, there are two areas relevant to CSB where the UK is significantly different:

²⁶ “Self-build communities: the rationale and experiences of group-build (Baugruppen) housing development in Germany”, Hamiduddin & Gallent, Housing Studies, 2015

²⁷ “International review of land supply and planning systems”, Monk et al, Joseph Rowntree Foundation, 2013

²⁸ “Markets and the Structure of the Housebuilding Industry: An International Perspective”, M. Ball, Urban Studies, 2003

²⁹ “House building industries: Western Europe and North America”, Moore & Adams, International Encyclopedia of Housing and Home, 2012

68. Land Assembly / infrastructure – in nearly all countries there exists a distinct function we could call land development or land assembly. In Europe this is largely a public sector function; in the US there are private land development companies. In both cases the output is the provision of serviced plots with permission to build available for sale to both individuals and housebuilders. These serviced plots make up a significant percentage of the land available for housing.

69. Planning – the planning system in almost every country is based on zoning which allows the owner of zoned land to build whatever is permitted by the rules. There are different levels of flexibility in different regimes, though essentially you have a right to build whatever is permitted by the zoning regulations.

CHALLENGES TO CSB GROWTH

The ‘Speculative’ housebuilding model in the UK

70. As set out in the previous section, the UK has a different approach to both land and planning which presents challenges to custom and self-building.

71. The term ‘speculative’ is used to describe housing delivery in the UK because housebuilders purchase the land, conceive the housing scheme, obtain planning, and do most or all of the building work, before there is any contact with the purchaser.³⁰ There are a few key points about the dominant UK model which both distinguishes it from the approach used in other countries and also explains why custom and self-build is so small in the UK.

72. The UK housebuilding industry is very concentrated relative to other countries. The top 10 firms control 44% of output compared to 14% in

Australia and 15% in the USA while France and Germany have significant self-commission sectors dominated by SME builders. In part this may reflect the tight geography of the UK, but it also flows from the complex and uncertain planning system which inherently benefits large firms who are better equipped to deal with these issues.

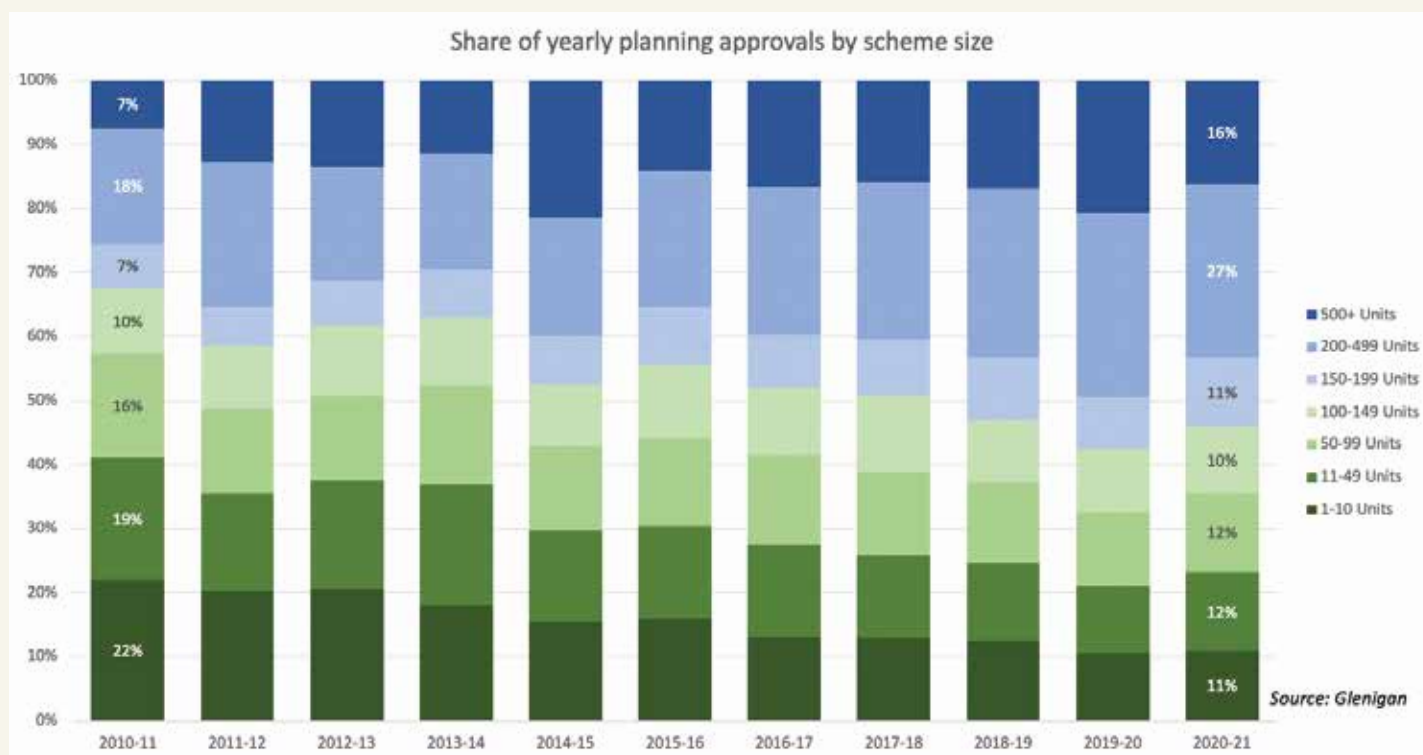
73. Long development timescales and regulatory complexity (and planning uncertainty) favours larger speculative firms with easy access to capital, because it allows them to navigate the system better than smaller firms and this in turn leads to them capturing more land and to the exclusion of new entrants. To be clear, this is not anti-competitive behaviour on the part of speculative housebuilders, but rather the result of the system and their rational response to it.

74. This is also reflected in the long history of mergers and takeovers which have been justified as a quick way of increasing individual firms’ land pipeline [Ball 2013] to further help them manage risk and ensure a steady and secure supply of land. This concentration is important because it more firmly embeds the speculative housebuilding model over time – to the exclusion of other models, including firms offering a more customised product or firms offering serviced plots. This is manifested in an increasing number of planning permissions on large sites, as shown in Figure 5.

75. The barrier to new entrants is important because it illustrates how hard it is for SMEs or individuals – who do not have easy access to capital, access to land, or the ability to wait years for a site to go through planning, or the expertise and resources to push it through – to deliver the levels of custom and self-build that the public want to see.

³⁰ “British Housebuilders: History and Analysis”, Wellings, 2006

Figure 5: Share of planning permissions on large sites, 2010/11-2019/20, England



The UK housebuilder model is vertically integrated

76. The process of building houses could be conceived as two distinct businesses – and as noted above in many countries they are done by very different organisations.

Land development – buying land (speculatively or administratively), getting planning permission

and preparing the land for building homes (clearing, landscaping, putting in roads, utilities etc), including the provision of fully-serviced plots.

Construction and sales - building the homes, marketing them for sale, selling them and aftersales services. *Table 8 sets out the UK process stages 1 to 3 are Land Development and stage 4 and 5 is Construction and Sales.*

Table 8 : Main stages of the housebuilding process

Stage	Actions
Land Development	
(1) Pre-planning	Site identification Acquisition – purchase or option Site promotion Planning application (outline or detailed)
(2) Planning application and consent	Planning determination Consultations Negotiation of planning obligations
(3) Planning consent to construction	Outline or detailed approval Discharge of conditions / reserved matters Mobilisation Ground works, infrastructure
Construction and Sales	
(4) Site build-out	Start on site Construction works (phasing on large sites) Completion
(5) Sales and Marketing	Sales and after sales services

Sources: ChamberlainWalker / Barratt (2017)³¹

³¹ “The Role of Land Pipelines in the UK Housebuilding Process”, ChamberlainWalker Economics for Barratt, 2017

³² “An Analysis of Self-Build and Custom Housebuilding in the South West of England”, Gingell & Shahab, Urban Science, 2021

77. There are good reasons why elsewhere in the world these two businesses are often separated. First of all, land development is a high risk, capital intensive and long-term business. In countries like the USA where private capital is used, specialist land developers require high levels of return to balance the risk and many operators are private (rather than public) companies because they can work over a longer timescale to get a return. In much of Europe land assembly is performed by public bodies because it is seen as part of the wider planning system. It gives municipalities greater control over what gets built when, and they can manage land speculation and land prices.

78. If the high risk, speculative part of the process is delivered by others then the core business of building and selling houses can be done by more specialist construction / sales companies or individuals who buy up ready-to-use building plots, turning them around as quickly as possible on much narrower margins (commensurate with the lower risks).

Why are these two businesses integrated in the UK?

79. A rational response by housebuilders to ensure a land supply. UK housebuilders bring the land and construction businesses together as a rational response to land scarcity and uncertainty of permissioned supply through the current planning system. To survive, housebuilders must be expert in acquiring land at the right price and in the right places. Ensuring a pipeline of future land supply – a fundamental factor of production – is vital. This is why all the major housebuilders have sizeable land banks and are active in the business of bringing land forward through the planning system. This means specialist builders, SMEs and individuals only have access to smaller marginal sites, thus limiting the scope for growth in the custom and self-build sector.³²

80. Minimal involvement by public bodies in land.

Since the demise of New Town Corporations, direct, active public sector involvement in land development in the UK has been very rare. Even major government-sponsored initiatives like Eco-towns, Ebbsfleet Garden City and Garden Villages have left responsibility for land development to the private sector. Master planning of large sites by local planning authorities is not land development, because without ownership they lack control over what happens to the site. The very few examples of large-scale custom build in the UK are being driven by the public sector. The largest is Graven Hill, purchased from the MOD by Cherwell District Council who then produced plots for sale to custom and self-builders (Graven Hill).

81. Private land development producing serviced plots is minimal. As noted above, many housebuilders run their own in-house land development businesses. There is a significant land promotion industry that works with landowners on a consultancy or partnership basis to get land through the planning system. There are a small number of land development firms (such as Urban & Civic and Gallagher) that operate as principal (i.e. the landowner). However, both these firms and the land promoters are largely aiming to supply the major housebuilders rather than individuals who want to build or commission their own home.

82. This means that there is no large-scale market in serviced permissioned building plots because so much land is dominated by major housebuilders, irrespective of whether it has come from in-house land development, specialist land developers or landowners working with land promoters.

Speculative housebuilders produce standardised products

83. UK housebuilding is dominated by large vertically integrated housebuilding companies which produce relatively standard products. While some

³³ “How does the land supply system affect the business of UK speculative housebuilding?”, Payne et al, UK Collaborative Centre for Housing Evidence (CaCHE), 2019

of this may be down to culture, the chief reason is the business model and the regulatory regime (i.e. planning) (see for example Payne et al, 2019).³³ The small number of large companies inevitably limits the variety of different designs and products on offer.

84. As already noted, the speculative business model prizes success in the land market – which is the focus for competition, rather than the product market. Indeed, as a result of the speculative model, huge investments in land and building are needed up front – meaning a high level of risk. This severely limits the incentive for product innovation.

85. Companies put together development proposals – including unit size, mix etc – based on local knowledge and evidence of the potential demand in different market segments. Within these segments housing designs are highly standardised and the assumptions used are baked into the land price, making it very hard to change at a later date.

The Planning System

86. The UK planning system is almost unique in that – while it is in theory a “plan led” system based on precedents and both local and national policies – in practice each planning application is decided on a case by case basis – particularly anomalous given that the product has many of the different characteristics of a commodity – and thus always carries a significant element of risk, even if the risk is around cost and delay rather than the ultimate outcome. Because of these uncertainties, big risks remain with housebuilders right up to the clearance of the last condition. There is thus a big incentive to avoid innovation and stick to standard products that have a track record of success at the local planning committee.

87. More particular to custom and self-build, the UK planning system also makes running a private land development business selling serviced plots harder because planning permission is closely linked to what is actually built, meaning that

detailed, expensive proposals need to be drawn up. Even ‘outline’ permission is expensive and not a guarantee that full permission will be agreed. In contrast, planning systems based around zoning contain a set of rules outlining what one is allowed to build, so a zoning designation requires no detailed plans. This allows plots to be sold with a legal guarantee that building (within the rules) will be allowed (see for example Ball, 2013).³⁴ The difference between these two approaches is at the heart of the government’s proposed planning reforms (White Paper Planning for the Future, August 2020).

Table 9 sets out the key reasons why the speculative housebuilding model and the planning system in the UK discourages custom and self-build. Critically, the current volume housebuilding model and the planning system are currently trapped in a vicious cycle, where the business model arises as a direct result of firms responding to constraints in the planning system. With the right planning environment it would be quite possible to separate land development from the construction of homes, thus significantly lowering barriers to entry and increasing consumer choice.

ADDITIONALITY OF CUSTOM AND SELF-BUILD

88. CSB contributes to overall housing supply – currently an estimated c. 10,000 homes in England annually. The ambition is to scale this up in a way that improves overall housing supply – supporting the Government’s ambition to deliver 300,000 new homes a year by the mid-2020s – rather than at the expense of other forms of housing supply that would otherwise have been built.

89. Scaling up CSB will produce the most benefit where it is fully ‘net additional’ to other sources of new housing supply i.e. where it is filling a missing market in new build housing. A number of factors can affect the level of additionality, acting on the demand and supply sides of the new build housing market.

³⁴ “Spatial regulation and international differences in the housebuilding industries”, M. Ball, Journal of Property Research, 2013

Table 9: Factors affecting growth in the UK's CSB sector

Issue	Consequence
Constrained supply has led to a seller's market for most of the last 40 years.	Housebuilders in the UK have not been under consumer pressure to offer more innovative customised products.
Consolidation means that a few large housebuilders dominate the supply of new houses.	The speculative housing model dominates the market.
Large housing companies compete fiercely for land with all resources at their disposal.	Specialist builders / SME builders / individuals are left with small plots / marginal land – limits scope to grow the sector.
Housing companies are vertically integrated so 'ready to build' plots are retained in-house rather than sold to outsiders.	There is only a very limited market in serviced plots for housing with outline permission.
A site with outline permission (UK) remains risky for builders or individuals - while a site zoned for housing (USA/Germany) is a legal guarantee within the rules.	This higher level of planning uncertainty in the UK discourages separate land development businesses, promotes vertical integration and thus reduces the market in serviced housing plots.
The UK planning system is more subjective, less 'rules based' and riskier for builders than zonal systems used elsewhere.	This discourages housebuilders from promoting innovative or customised designs even on sites where they retain ownership.
There is only very limited public sector land development activity in the UK (as principal and landowner).	There are few opportunities to promote custom and self build (or other innovative initiatives) as a matter of public policy.
Attempts have been made to promote the custom and self build sector through the planning system (2015 Act).	This has not made a significant difference because it has not addressed the systemic issues of land ownership, the housebuilder business model and the wider planning system.

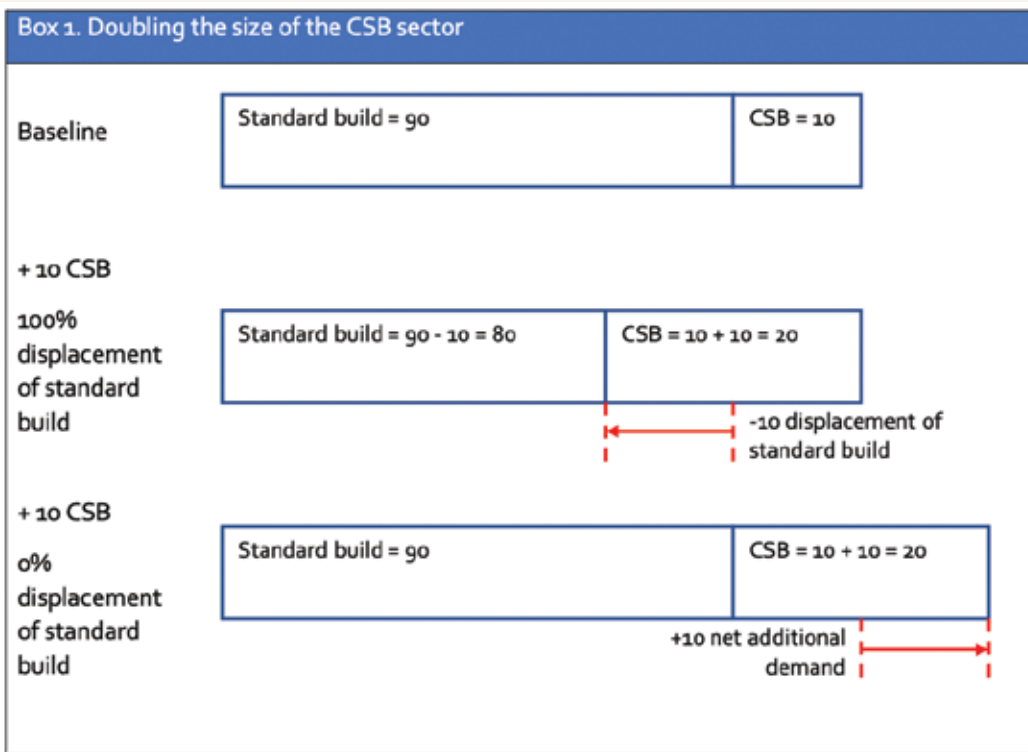
Demand

90. When a person or a household buys a new home, they are choosing between different products. This includes the choice between a 'second hand' home (i.e. one from the existing stock of housing that has been lived in previously) and a new build home. In today's housing market, around 10% of people or households buying a home choose to buy a new build one, whereas 90% choose a second-hand home.³⁵

91. If the new build market has little choice and the products are similar (supply is homogenous), it means one new build home is highly substitutable for any other new build home, of a size and type (e.g. house/flat), within a given local market. In this scenario, policy support for one type of product over another would likely be almost wholly at the expense of that other part, meaning a high level of displacement.

92. If the new build market has a lot of choice with many different products (supply is heterogeneous), then the degree of substitutability between new build homes will be much lower. In this instance, policy support favouring new build home type A would have less impact on the demand for home type B, meaning a low level of displacement.

93. In the context of CSB, therefore, the question is how different CSB homes are to other kinds of new build. If we take the view that CSB homes are very different to standard types, then displacement is far less likely. The further implication is that a heterogeneous new build market with its greater choice will be bigger than the homogenous new build market, because it satisfies a wider range of consumer preferences. In other words, a homogenous new build market is more likely to feature a missing market (or markets) than a heterogeneous one.



³⁵ Land Registry

94. A number of pieces of evidence suggest the UK has a relatively homogeneous new build market at present, but that growth in CSB provision could help to address this by diversifying supply – so adding to, rather than displacing, mainstream housing supply.

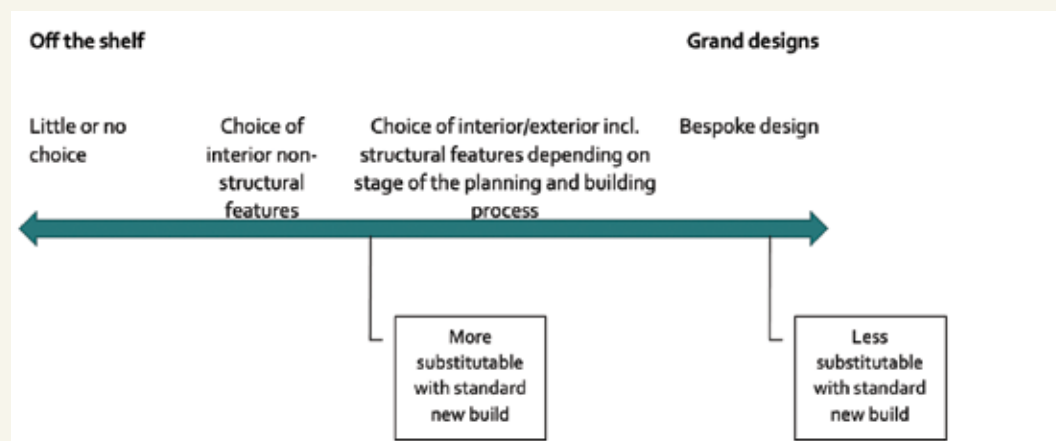
95. Sir Oliver Letwin concluded that the homogeneity of types and tenures of the homes on offer, and the limits on the rate at which the market will absorb such homogenous products, are fundamental drivers of the slow rate of build-out on large sites in England.³⁶ Letwin recommended planning policy should set out diversification principles – and listed self and custom-build as one of the ways to achieve diversification on large housing sites.

96. Payne et al (2019) provide evidence of a culture of standardisation in the delivery of new housing.³⁷ They refer to a study by Nicol and Hooper (1999), which showed standard house types were widely utilised by both the largest housebuilders and a significant number of smaller housebuilders.³⁸ Payne et al also refer to this and other studies showing that customisation is often restricted to internal non-structural features. The situation does not appear to have changed much over the last twenty years.

97. The reasons for standardisation in mainstream housebuilding were considered in more detail above – the fundamental driver is that planning and land constraints lead to a dominant ‘speculative’ housebuilding model. Speculative housebuilding involves housebuilders acquiring land and securing planning on the basis of potential demand in different market segments. This means housing designs are ‘baked in’ to the land price and planning approval, making it extremely difficult to respond to specific customer preferences at a later date. By contrast, self-builders can influence every detail of their project – within certain constraints including planning – because projects are demand-led from the outset.

98. Pure standardisation and pure customisation (fully bespoke) are the two extremes – with, broadly speaking, volume builders at one extreme and self-builders at the other. There is little if any substitutability between the two. There is a spectrum – with substitutability and the potential for displacement being higher where “CSB provision” is much closer to what is offered by mainstream housebuilders, although it is widely accepted that this is not custom-build in the true sense.

Figure 6. Substitutability and the degree of customisation



³⁶“Independent review of build out: final report”, Letwin, MCHLG and HM Treasury, 2018
<https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

³⁷“How does the land supply system affect the business of UK speculative housebuilding?”, Payne et al, UK Collaborative Centre for Housing Evidence (CaCHE), 2019

³⁸“How does the land supply system affect the business of UK speculative housebuilding?”, Payne et al, UK Collaborative Centre for Housing Evidence (CaCHE), 1999

Box 2. Graven Hill offers

At [Graven Hill](#) buyers can choose between: new homes for sale, custom build new homes, and self-build plots.

New homes – high-quality pre-built homes. Buyers have limited ability to influence the final look and feel.

Custom build new homes – opportunity to customise internal layout and finishes from a menu of options. The sooner in the planning and building process buyers get involved, the more choices they have.

Self-build plots – offers buyers maximum flexibility to build their ideal home on a serviced plot. Pre-approved outlined planning, with planning permission able to be secured within 28 days following the guidelines set out in a Plot Passport.

99. Again, looking at consumer preferences, 1 in 3 people are interested in building their own home at some point in the future, including 12% who say they are 'very interested'.³⁹ The proportion is significantly higher amongst younger people – with nearly half of respondents (48%) interested in building their own home, while amongst those aged 55+ the figure was lower at 18%. Some 74% of respondents cited "being able to build a home to my exact specifications" as the main benefit. Research by Nationwide Building Society has indicated even higher potential demand: a 2014 survey found that 53% cent of people would like to build or commission a house to their own design at some point in their lives; and in 2018 this had risen to 61% (both surveys by IPSOS MORI).⁴⁰ Demand was higher still among the young. Some 83% of 18 to 24-year-olds were interested in commissioning their own dwelling, as were 83% of those actively looking at getting on the property ladder.

100. In the British Social Attitudes (BSA) 2018 survey, more people (42%) reported they were unlikely to consider buying a new build home (42%) than reported they were likely to consider buying a new build home (39%).⁴¹ Similarly, more people reported that they were very unlikely to consider buying a new build home (27%) than very likely (19%).⁴² Older people were most unlikely to consider buying a new build home. Of those aged 46-

55, 46% were unlikely to consider buying a new build home, rising to 51% of those aged 56-65 and 50% of those aged 66 and over. In a separate survey, the Homebuilders' Federation found that 33% of those surveyed would be likely to consider buying a new build home.⁴³

101. According to Zoopla's 2018 homebuyers survey, almost exactly the same amount of people prefer new builds as existing homes (around each 37%) whilst a significant proportion show no preference.⁴⁴ 37% cited being able to choose their own colours and finishes as a benefit to new build, but the same proportion cited "they're too uniform and samey" as a disadvantage.

102. Another survey, also in 2018, found a much smaller proportion of homebuyers preferring new builds.⁴⁵ 82% of respondents said that, given the choice, they would rather invest in a period home than a brand new one.

103. The proportion willing to buy a standard new build home is much lower amongst the subset of people interested in CSB housing – as compared to the general population or homebuyers in general. An NSBRC survey for the Bacon Review found only 6% would buy a new build if they weren't able to self or custom build; 46% would stay put and 48% would buy a second-hand home. Being able to build a home to their exact specifications

³⁹ <https://nacsba.org.uk/news/1-in-3-adults-interested-in-self-building/>

⁴⁰ <https://www.ipsos.com/ipsos-mori/en-uk>

⁴¹ <https://www.gov.uk/government/publications/public-attitudes-to-house-building-findings-from-the-british-social-attitudes-survey-2018>

⁴² https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/841815/BSA_House_building_report.pdf

was rated 4.6 / 5 in terms of importance and attaining a higher build quality than a standard new build was rated 4.8 / 5.

Supply

104. It is important to distinguish between new housing land – either brownfield or greenfield – and existing housing land. Net additionality largely concerns the former, given that new housing land is fundamental to growing the overall stock of housing. However, it is important to note that many CSB homes replace existing homes (i.e. demolition and re-builds) simply because of the severe difficulty of finding a new housing plot of any type. The self-build land supply reported by a sample of both urban and rural planning authorities was reviewed by the Right to Build Task Force. It was found that the majority of dwellings permitted were either conversions and change of use or were a demolition and rebuild.

105. In a NaCSBA survey (2020) of would-be self-builders, 42 per cent said finding a suitable plot of land was a barrier (and 49% the process of gaining planning permission).⁴⁶ The severity of this land constraint means that, for many, the only route is to buy an older property, demolish it and build what they want. This leads to significant economic inefficiency and poor use of existing resources, while not adding to the overall housing stock and also limiting access only to those with significant funds.

106. Land use is regulated by the planning system, meaning that land supply for new housing is relatively fixed compared to an unregulated free-market situation. Policy support for a particular market segment, such as CSB, could therefore displace other sources of new housing if it is competing for a given amount of land within the current system.

107. In land supply terms, housing delivery is influenced by a number of factors:

- Local housing targets (land allocated for new housing)
- Local opposition to housing being permissioned
- Viability of permissioned sites
- Build-out rates

Land

Local housing targets

108. National Planning Policy guidance requires local areas to assess demand for CSB housing. This could mean housing land being allocated for CSB housing in addition to rather than in place of land for other types of housing demand. Where Local Plans are not up-to-date or ignore national guidance, they are less likely to reflect the full range of housing needs – leading to a situation where CSB housing land could inadvertently be in competition with other types of housing.

109. The Government's new method for calculating 'housing need' suggests some places should be delivering more homes and thus will need to adopt a higher target and allocate more land for housing. All things equal, more land being allocated for housing should reduce the likelihood of CSB displacing other housing development, which in turn will significantly increase the likelihood of CSB scaling up being net additional. One obvious route is to create CSB exception sites for affordable provision on the edge of settlements, in the same way that already happens for rural exception sites generally, using one of several available models – such as embedded discounted market sale or community land trusts – to deliver affordable CSB provision.

Local opposition to housing being permissioned

110. In some parts of the country there are shortfalls in housing delivery relative to local housing targets. The Government's housing delivery test measurement 2020 (2019) suggests 33% of local planning authorities failing to meet their housing

⁴³ *ibid*

⁴⁴ "Insights into New Home Buyers 2018", Zoopla, 2018

<https://advantage.zpg.co.uk/wp-content/uploads/2018/05/Insights-into-new-homes-buyers-2018.pdf>

⁴⁵ <https://www.buyassociation.co.uk/2018/06/18/brits-still-prefer-period-properties-but-can-new-builds-win-us-over/>

⁴⁶ <https://nacsba.org.uk/news/1-in-3-adults-interested-in-self-building/>

targets – indicative of land constraints in these areas.⁴⁷

111. On the one hand, new CSB provision in land constrained areas could mean a high level of displacement. On the other hand, there is potential for CSB developments to help address land constraints if such developments are more acceptable to local residents with a higher chance of being permitted, more viable, and/or are on sites which are not of interest to mainstream developers.

112. In the other 67% of local planning authorities – those achieving or exceeding their planning targets – housing land supply is currently adequate, assuming the housing targets meet objectively assessed need. On the one hand, if these local areas are ensuring sufficient land to meet demand, this suggests potential for greater CSB provision to bring forward yet more land. On the other hand, if local housing targets are being met or exceeded, there may be little incentive to permission additional land for development, placing CSB housing firmly in competition with other forms of housing supply. In short, CSB is less likely to crowd out other forms of development if land is not constrained and the authority is pro-development.

113. CSB applications may face less opposition given a perception they are higher quality and can be shown to deliver greater local benefits. Survey evidence from BSA 2018⁴⁸ shows that:

- People who felt new build homes are well designed were more likely to support more homes being built in the local area (61%), than those who felt new build homes are poorly designed (53%).
- People who felt new build homes are poorly designed were more likely to oppose new build homes being built in the local area (28%), than those who felt new build homes are well designed (19%).
- People who felt new build homes are well built

were more likely to support more homes being built in the local area (65%), than those who felt new build homes are badly built (53%).

- People who felt new build homes are badly built were more likely to oppose new build homes being built in the local area (28%), than those who felt new build homes are well built (15%)

114. A 'local connection' for entry onto the CSB register test may also improve support for any new CSB development.

Viability

115. Whilst greater customisation may mean fewer economies of scale which could reduce the viability of CSB, there are two main factors which may mean CSB development is likely to be more viable than mainstream development overall. These are:

CIL exemption. An exemption is available to anybody who is building their own home or has commissioned a home from a contractor, housebuilder or sub-contractor. Individuals benefiting from the exemption must own the property and occupy it as their principal residence for a minimum of 3 years after the work is completed. Around half of local planning authorities were charging CIL as of late 2019.⁴⁹

Lower profit requirement. Given the risks involved in speculative housebuilding, mainstream developers often have a target profit margin of 20% of Gross Development Value (GDV). Models of custom-building are lower risk – with customers secured and revenue coming in much earlier in the process; and developers needing a lot less capital. The profit requirement is therefore smaller. Self-builders do not primarily seek a profit margin – though the average profit margin achieved has been estimated at around 10 per cent.

116. Self-build housing is often on individual

⁴⁷ <https://www.gov.uk/government/publications/housing-delivery-test-2020-measurement>

⁴⁸ <https://www.gov.uk/government/publications/public-attitudes-to-house-building-findings-from-the-british-social-attitudes-survey-2018>

⁴⁹ <https://www.planningresource.co.uk/article/1121218/cil-watch-whos-charging-what>

plots outside of strategic planning allocations and 'off the radar' for mainstream developers – whose preference is for larger, lower risk sites, which are needed to deliver economies of scale and a return on investment. The evidence on custom build tends to be around smaller sites - those that might otherwise have been of interest to smaller builders wanting to build standard new homes. There is therefore likely to be some competition with smaller builders in this regard.

117. However, growth in CSB provision is likely to provide a net benefit to small builders where they serve the CSB market – by providing access to a larger range of small-scale projects. According to a survey of small builders (FMB Survey 2020) 56% of respondents said they build homes only as contractors; 12% build homes only as developers; 32% build as both developers and contractors.⁵⁰ Of those who build as a contractor, 81% have built new homes in the last year to the plans and specification of the homeowner (also known as self and custom build).

Build-out rates

118. Build-out rates are influenced by a num-

ber of factors. For example, as mentioned earlier, speculative housebuilders are constrained by the absorption rate within a given local area. This is a particular challenge on larger sites, as explored in the Letwin Review. The Letwin Review called for greater product diversification on larger sites; whilst housebuilders often stress the need for a diverse range of sites, with sales and production linked to the number of sales outlets rather than just the area of land.⁵¹

119. Single self-build plots are unlikely to impact on the market absorption of housebuilders' output, given the high level of product differentiation, and as such are not subject to the same degree of market absorption constraint in their own right. The question then is whether custom build helps to achieve higher build-out rates overall.

120. Given the very small number of custom build sites in the UK it is hard to draw firm conclusions. However, CSB sites are generally smaller on average – and smaller sites are associated with quicker build-out rates. Most CSB homes are 1&2 unit plots. Based on a sample of 3+ unit sites – the majority of CSB homes are on smaller sites:

Table 10: Distribution of project size for 3+ unit sites, based on a sample of obtained from Glenigan

Project size category	Projects	Units	CSB units
3-9	65%	11%	41%
10-49	24%	15%	38%
50-99	4%	8%	6%
100-199	4%	17%	4%
200-499	3%	26%	5%
500+	1%	22%	5%
Grand Total	100%	100%	100%

⁵⁰ <https://www.fmb.org.uk/static/d20e9ab9-ed3d-42f0-ba1322ee8add369b/House-Builders-Survey-2020.pdf>

⁵¹ <https://www.gov.uk/government/publications/independent-review-of-build-out-final-report>

Table 11: Distribution of project size for 3+ unit projects permissioned and completed (2017-2021), based on a sample of obtained from Glenigan

Project size category	Projects	Units	CSB units	Average build out time (months)
3-9	1	9	7	18
10-49	5	141	22	12
100-199	1	126	6	36
200-499	1	228	11	13
Total	8	504	46	

121. Lichfields (2016) found the bigger the site the lower the proportional buildout rate on average.⁵² In their sample of sites, the average build out (delivery) rate for sites between 0-99 homes was just under 40% (of the site's permissioned homes) per year. For sites between 100-499 homes it was just over 20% per year, for 500-999 homes it was 10% per year. In simple terms:

- a site of 99 units may yield c40 homes per year
- a site of 499 units may yield c100 homes per year
- a site of 999 units may yield c100 homes per year

122. From a small sample of CSB sites extracted by Glenigan from their data, the build-out times are shown in table 11.

Labour and materials

123. There is strong evidence of tight labour and materials markets over the past few years – though less of a constraint than planning, availability of land and access to finance. Recent reports suggest increasing concerns about the supply of skilled workers relative to other factors.

124. Under such conditions different forms of new housing supply are inevitably competing for the same pool of labour/materials and policies to help one form will displace another.

125. However, there are mitigations. A first mitigation concerns labour market dynamics, namely that

if the labour market is working well then supply will eventually adjust to meet a higher level of demand and that, in economic terms, this is a short-run problem. This underscores a general point of a need for long term policies to support labour market adjustment which probably also includes those policies which support housing market stability.

126. A second mitigation is that such labour shortages, if they persist because the construction labour market is dysfunctional, should encourage the market to adjust in other ways such as reduced reliance on labour and increased reliance on capital such as Modern Methods of Construction (MMC). CSB is more likely to involve non-standard construction methods, including Modern Methods of Construction (see box 3). The sector is therefore less reliant on the same pool of labour (e.g. on-site bricklaying) and materials (e.g. bricks) as mainstream housing supply.⁵⁴ At Graven Hill, the UK's largest CSB community, one third of self-build homes constructed between 2018 and 2021 have used MMC.⁵⁵

127. Insofar as CSB helps spearhead the wider take-up of MMC it could also create net additionality in the short term by reducing the stranglehold of tight labour market conditions on housing supply overall. In this regard, a number of countries with high levels of self-provided housing (such as Japan and Germany) also rank highly in their adoption of MMC – showing a strong correlation between CSB and

⁵² "From Start to Finish: How quickly do large-scale housing sites deliver?", Nathaniel Lichfield & Partners (now Lichfields), 2016

⁵³ FMB Housebuilders' Survey 2020, Federation of Master Builders, 2020

<https://www.fmb.org.uk/static/d20e9ab9-ed3d-42f0-ba1322ee8add369b/House-Builders-Survey-2020.pdf>

Table 12. Survey evidence on the constraints faced by small housebuilders

Constraints	Currently	Over the next three years
The planning system	48%	48%
Lack of available and viable land	46%	46%
Lack of finance to the company	41%	44%
Cost of Section 106 agreements	31%	25%
Restricted mortgage availability	28%	37%
Materials shortages	24%	22%
Shortage of skills workers	23%	30%
Cost of Community Infrastructure Levy	19%	20%
No constraints	11%	4%
Cost of locally imposed standards	11%	8%
Cost of national regulations	8%	10%

Source: FMB 2020 Housebuilders Survey.⁵³

Box 3. Methods of construction

Homebuilding and Renovating Self & Custom Build Market Report, Homebuilding and Renovating, Centaur Media, 2017.

Key findings regarding CSB construction systems:

Structure

The use of masonry blocks accounts for 46% of self-build houses, compared to 80%-90% of all new speculative builds. Other self-build construction systems include timber frame (35%) and Structural Insulated Panels (8%) and Insulated Concrete Framework (5%). Younger self-builders are more likely to divert from masonry.

Cladding (external skin)

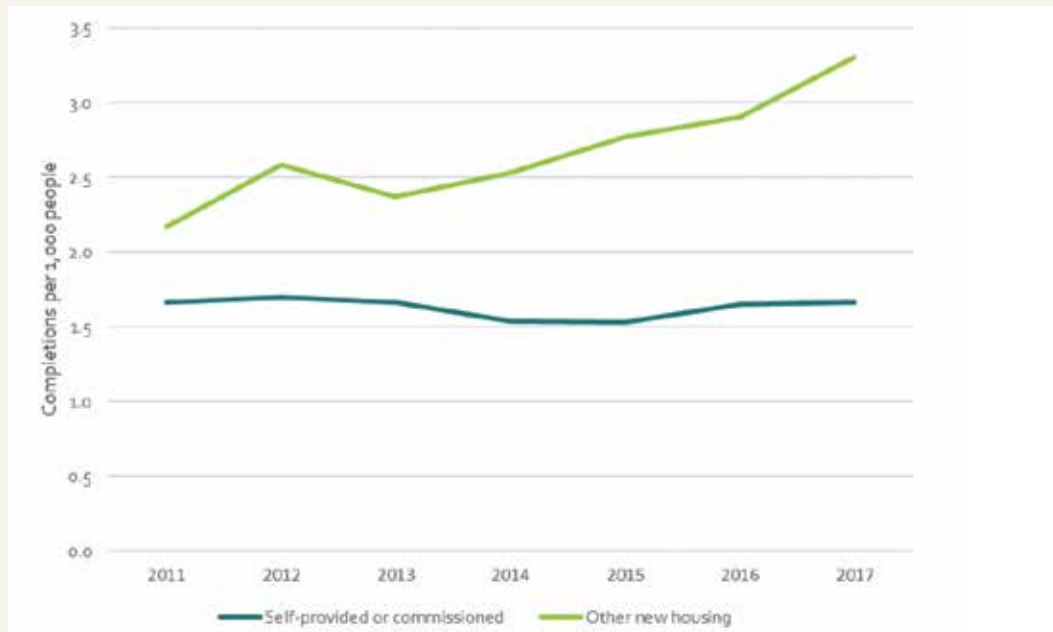
Bricks account for 38% of CSB and render 32%.

⁵⁴ A report by commissioned by MCHLG concluded that MMC would be unlikely to be transformational as long as consumers continue to demand traditional housing types. CITB, 2019

⁵⁵ https://www.ukconstructionmedia.co.uk/news/graven-hill-embraces-future-of-building/?sector_id=3175

⁵⁶ "A modern approach to construction", Savills, 2020
<https://www.savills.com/impacts/new-technology/why-modern-methods-of-construction-are-a-good-fit.html>

Figure 7. Self-provided housing supply relative to other sources of supply – average of completions per person for a sub-set of countries where longer-term data is available



greater use of MMC.⁵⁶ Finally, it is worth noting the potential contribution of CSB to stability of demand for labour and materials over the housing market cycle making short term labour shortages less likely.

128. Speculative housebuilders are highly sensitive to housing market downturns – reducing their output quickly and sharply in response to market falls. This can lead to supply-chain capacity being reduced, making it harder for housebuilders to increase their output in the upturn. Evidence considered later on suggests CSB housing delivery is much more stable – both in the UK and internationally – suggesting it can help to retain a baseline of production and supply-chain capacity through the market cycle and support productivity by ensuring a steady and secure workforce. This has wider benefits for the industry and overall housing delivery.

International evidence

129. The international data suggest that speculative private housebuilding has grown alongside stable levels of self-provided housing – rather than crowding it out. The chart above shows the cross-country (simple) average of self-provided housing completions per 1,000 population – relative to the cross-country average of housing completions from other sources (largely speculative private housebuilding). This is for a subset of coun-

tries where longer-term data is available (France, Germany, Ireland, Japan, Netherlands, Norway, Poland, Switzerland, USA).

130. From 2010 to 2017 self-provided housing remained at around 2 completions per 1,000 population, whilst other forms of housing supply, including speculative housebuilding, grew from that level to more than 3. The experience has been broadly similar in the UK where housing supply nearly doubled since 2012 in net additional terms whereas CSB has been relatively flat. There is some variation between countries, which may reflect greater land constraints in different places and also differences in planning regimes. The key point from the international evidence is that custom and self-build housing can be, and largely is, complementary to other forms of housing supply.

131. All in all, growth in CSB housing has the potential to be net additional where (a) there is a high level of differentiation with standard new build types; (b) support is targeted in areas where additional land is likely to be brought forward and/or any support to the sector is linked to additional land supply being made available.

BENEFITS OF CUSTOM AND SELF-BUILD

132. As well as the potential to be net additional

⁵⁷ We use private enterprise completions as our main 'overall completions' measure because this is more a like-for-like comparison. This is because it strips out affordable housing built by housing associations and councils, which does not feature in the self-build make-up. Affordable housing also tends to be non-cyclical or pro-cyclical

⁵⁸ <https://www.gov.uk/government/statistical-data-sets/live-tables-on-house-building>

⁵⁹ standard deviation divided by average level in order to make the two measures comparable

and support progress to building 300,000 homes in England a year, scaling up self and custom build will potentially have other socio-economic benefits that also help to explain why the public would like to see more of it and why, equivalently, there are economic welfare gains to society. These welfare gains occur irrespectively, whether self and custom build is net additional or not.

133. The crucial point is that CSB is more likely to maximise the consumer surplus of those commissioning their own homes, because it enables them to design a home that is more bespoke and tailored to their requirements than a standardised build, particularly where it is filling a missing market.

134. However, in instances where a CSB home fully displaces a standard new build one, the consumer will broadly capture the 20% margin that would otherwise go to shareholders (other owners) of speculative housebuilding companies. In other words, there would be a reduction in the producer surplus and an increase in the consumer surplus. However, and perhaps counterintuitively, this will simply be a transfer and not increase social welfare if starting from a perfectly competitive position (unless it is passing from richer to poor beneficiaries). It will certainly increase social welfare if there is any degree of market power (i.e. in the land market).

135. Other manifestations of social welfare gain are likely to include: better environment and sustainability outcomes (reducing negative externalities); better design and appearance of build or 'building beautiful' (increasing positive externalities); enhanced housing market stability (a public good, though it is perhaps unusual to think of it in these terms), and localisation of economic benefits from construction activity. These are considered in turn.

Greater housing market stability

136. Housing supply in the UK is highly volatile. Private housing completions respond weakly to

rising house prices, but are extremely responsive to house price falls. UK CSB completions across the economic cycle appear to be less volatile than completions overall.⁵⁷ A consistent custom and self-build data series, derived from HMRC VAT recovery returns, has been produced by the NaCSBA. It runs from 1983/4 and helpfully covers the 1990/91 and 2008/09 recessions. For overall completions, we use the MHCLG live table 209.⁵⁸ Both datasets are for the UK.

137. The table below provides a summary of some standard metrics used to gauge volatility of self-build completions and overall completions – excluding and including affordable – using these datasets.

138. The peak-to-trough fall in CSB completions during the 1990/91 recession was barely discernible and in stark contrast to the 31% fall in overall home completions excluding affordable housing. Including affordable housing the fall in overall completions was less 26%. Both CSB and overall completions suffered massively in the 2008/09 recession ('Great Recession'), with CSB completions falling 34%. But this was significantly smaller than the 45% fall in overall completions excluding affordable housing.

139. Over the 1983/4 to 2016/7 period for which we have data, the standard deviation measure of CSB completions of 0.12 is markedly less than that of overall completions excluding affordable housing of 0.17. The volatility during the recessionary periods is likely to explain most of the volatility we observe in both series. We also observe the CSB series generally appears less 'choppy', with a continued upwards trend trajectory during the 1990s recession (unlike overall completions), with the only real period of volatility during the Great Recession. The following chart plots completions of CSB, overall build excluding affordable housing and overall build including affordable, as a percentage of their respective averages for the 1983/4 to 2016/7 period. This allows the volatility of the series to be compared visually.

Table 13. CSB completions versus overall completions, volatility metrics, UK

	CSB completions	Overall completions (incl. affordable)
2008/09 recession, peak-to-trough fall	-34%	-45% (-38%)
1990/91 recession, peak-to-trough fall	-3%	-31% (-26%)
1983/84- 2016/17 standard deviation measure ⁵⁹	0.12	0.17 (0.14)

Figure 8. CSB completions and overall completion levels (period average = 1), 1983/84 - 2016/17, UK

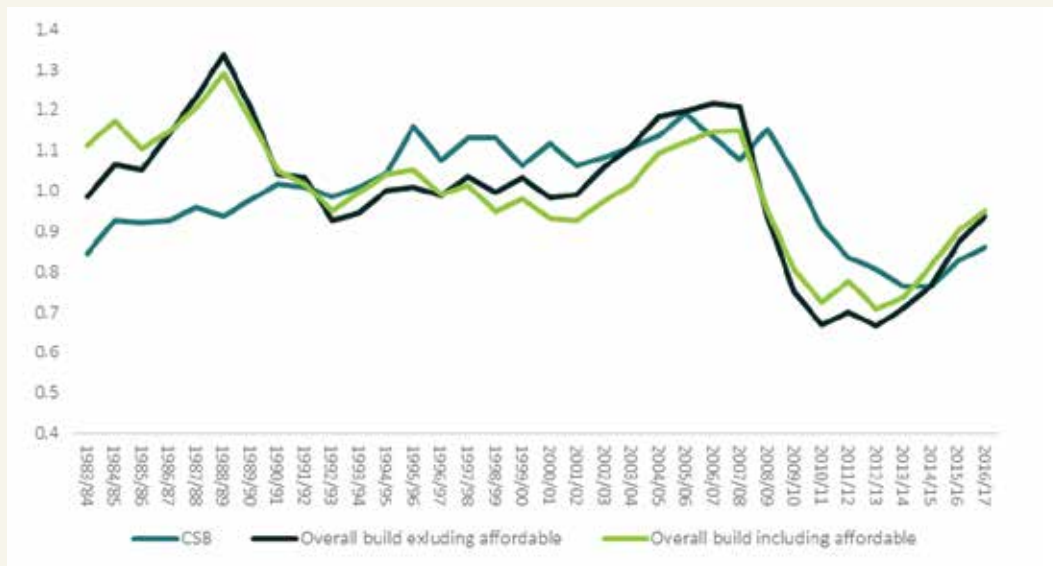


Figure 9. CSB completions versus trend, 1983/84 - 2016/17, UK

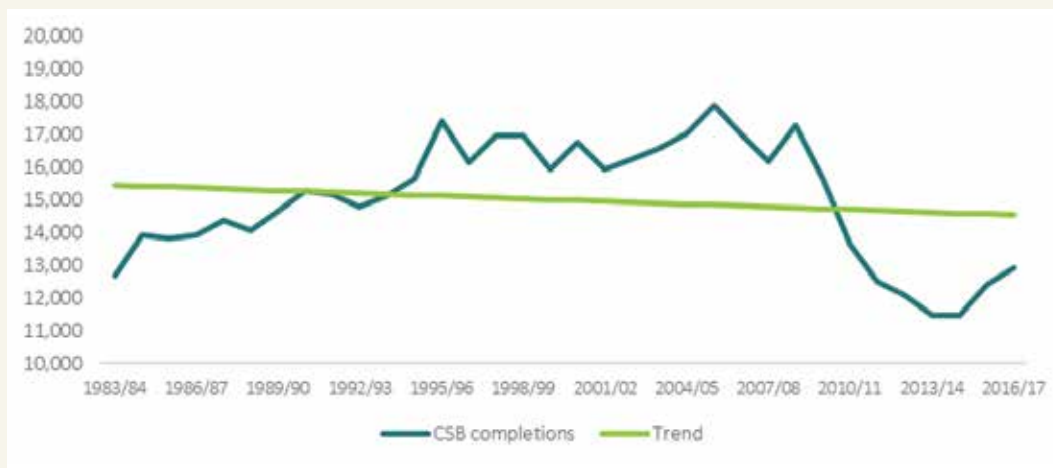


Figure 10. Localised spending per £100 (main build costs)



⁶⁰DETR Housing and Construction statistics cited in Joseph Rowntree Foundation 2001, Homes to DIY for: the UK's self-build housing market in the twenty-first century

140. The cumulative loss of output over the 34-year period due to volatility – measured by gaps between the trend line and output below it when this occurs – is found to be 5.2% for CSB and 5.6% for overall completions. This difference is only modest, but the CSB number is probably disadvantaged by its low starting point in 1983/84, which earlier data suggest was structural rather than cyclical.⁶⁰ Particularly, these earlier data show CSB completions rising throughout the period punctuated by the 1980/81 recession. We therefore estimate an adjusted output loss due to volatility for CSB of only 3.1% (again, versus the 5.6% for overall completions).

More localised economic benefits

141. A ChamberlainWalker report for Mid-Devon Council (commissioned by the Right to Build Taskforce) in 2019 investigated the extent to which CSB provides local economic benefits compared to mainstream housebuilding. The study found a much higher proportion of localised spending – not specific to Devon – for CSB compared to large housebuilder projects (£45 versus £22 per £100 of build costs i.e., more than double). This is potentially important as a local incentive for communities and their representatives to promote/accept CSB housing – and highly relevant to the question of additionality.

142. The higher proportion of local spending for CSB reflects the fact that self-builders are more likely to contract small, more local builders and to source materials via locally-based builder's merchants. Builder's merchants aggregate demand to achieve purchasing power with the major product suppliers, ensure timely distribution and delivery of materials

to site, and provide an important source of working capital for builders (channelled through trade credit accounts). By contrast, the major housebuilders have national and regional supply chains. They are large enough to be able to bulk buy and negotiate discounts without the need for middlemen.

143. The evidence presented largely reflects self-rather than custom-build (with the latter being very small scale at the present). And the comparison is with large housebuilders. The gap in localised spending between CSB and smaller builders is likely to be much smaller. This evidence is only illustrative – based on current survey evidence of self provided housing projects, construction methods, materials used and sourcing – but gives a feel for the potential scale of additional localised benefits. The extent of additional benefits received locally, compared to mainstream housing supply, will in practice vary on a scheme by scheme basis.

Better quality and environmental performance

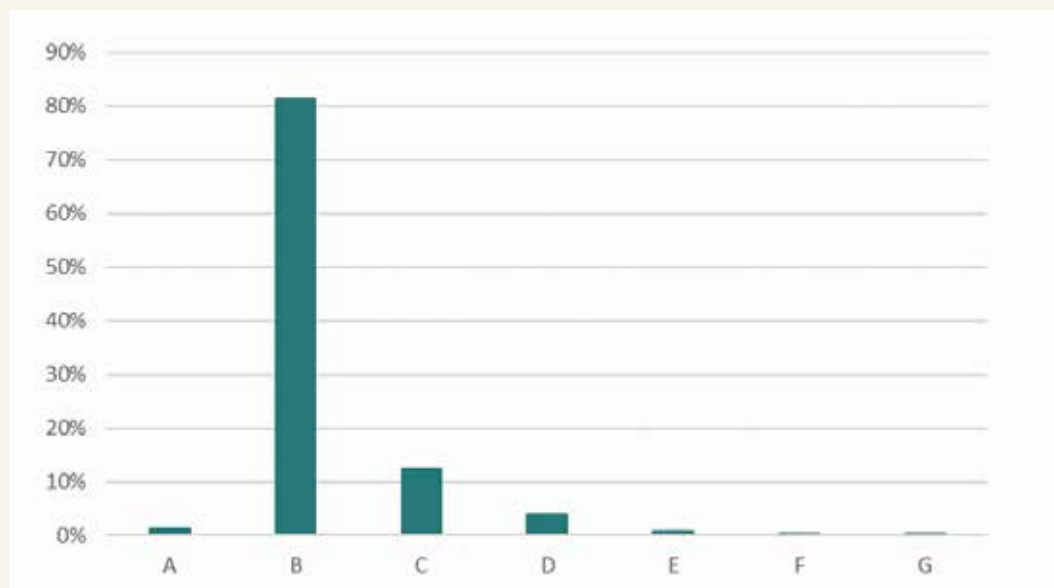
144. There is a clear recognition that among self-builders and potential self-builders that quality is likely to be much higher than typical new build housing. A NaCSBA survey (2020) asked would-be self-builders about the advantages of self-building. 43% agreed the quality of build could be higher than that of a pre-built home; and 33% noted greater environmental sustainability as a benefit.⁶¹

145. According to EPC data published by MCHLG, most existing properties have an EPC rating of D.⁶² For new builds overall (including conversions) the vast majority (80%) have an EPC rating of B.

⁶¹ <https://nacsba.org.uk/news/1-in-3-adults-interested-in-self-building/>

⁶² <https://www.gov.uk/government/statistical-data-sets/live-tables-on-energy-performance-of-buildings-certificates>

Figure 11. New build EPC ratings



146. By contrast to existing properties and new build in general, it is likely that a higher proportion of CSB homes achieve an 'A' rating. An 'A' rating is only likely to be achievable using renewables as the primary heating system, on top of the requirements listed above. The majority, 54 per cent, of CSB homes use renewables as the primary heating system, including air source or ground source heat pumps, mechanical ventilation with heat recovery and solar panels.⁶³

147. Energy use associated with the occupation of new buildings – reflected in EPC ratings – also needs

to be considered alongside embodied energy in the construction process. As noted elsewhere, the CSB is more likely to adopt new innovations in building, including MMC, making it likely that growth in the sector can help to improve the sustainability of new housing supply.

148. Mainstream new build housing is likely to continue to improve and the Government has recently introduced higher standards. However, given the importance of environmental credentials to many self-builders, the sector is likely to remain ahead of the curve.

⁶³ Homebuilding and Renovating Self & Custom Build Market Report, Homebuilding and Renovating, Centaur Media, 2017

⁶⁴ The Green Book, HMT (2020)

<https://www.gov.uk/government/publications/the-green-book-appraisal-and-evaluation-in-central-government/the-green-book-2020>

DCLG Appraisal Guidance https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/576427/161129_Appraisal_Guidance.pdf

ECONOMIC BENEFITS OF SCALING UP CSB

149. This economic analysis has identified a gap in CSB provision in England of at least 20,000 a year. A number of scenarios for increased CSB delivery are modelled in what follows to estimate the economic benefit of scaling up the sector, as shown in table 14.

150. The economic benefits are quantified in line with the HMT Green Book and supplementary departmental guidance, including the MCHLG Appraisal Guide.⁶⁴ A number of assumptions are made regarding the net additionality of new CSB delivery and its geographic distribution across England. The key assumptions are:

- **Additionality of CSB.** Upper estimate of 75% to reflect highly differentiated CSB supply from standard newbuild housing (low substitutability) and a good supply of new land specifically for CSB that is mostly additional. Lower estimate of 50% to reflect CSB is closer to standard newbuild housing (medium substitutability) and only a modest supply of new land specifically for CSB.

- **Geographical distribution of CSB.** A range of distributions based on the distribution of permissions for one and two unit schemes (based on the Glenigan data), the distribution of registrations on the Right to Build Registers (2016 to 2018/19, cumulatively) and a uniform distribution across the English Civil Parishes.

Table 14: scenarios for scaling up CSB, England

	Increase (scale-up)	Total including existing	% of 300K annual target	Description
Scenario 1	+10K	20K	6.7%	Doubling of the CSB sector
Scenario 2	+20K	30K	10%	Satisfying the low-end estimate for demand
Scenario 3	+30K	40K	13.3%	bringing England more into line with other countries

Table 15; economic benefit of scaling up CSB, per annum, England⁶⁵:

		+ 10,000 CSB homes p.a.	+ 20,000 CSB homes p.a.	+ 30,000 CSB home p.a.
Land Value Uplift (net private benefits of CSB)	75% additionality	£415m to £625m	£830m to £1,249m	£1,244m to £1,874m
	50% additionality	£244m to £454m	£489m to £909m	£733m to £1,363m
Net energy saving over 60 years	75% additionality	454 GWh	908 GWh	1,362 GWh
	50% additionality	908 GWh	1,816 GWh	2,725 GWh
Value of net energy saving over 60 years	75% additionality	£5.3m	£10.6m	£15.9m
	50% additionality	£10.6m	£21.2m	£31.8m
CO ₂ e saving over 60 years	75% additionality	83,539 tonnes	167,079 tonnes	250,618 tonnes
	50% additionality	167,079 tonnes	334,158 tonnes	501,237 tonnes
Value of reduced CO ₂ e emissions over 60 years	75% additionality	£8.7m	£17.4m	£26.1m
	50% additionality	£17.4m	£34.8m	£52.1m
Value of improved air quality (over 60 years)	75% additionality	£0.7m	£1.4m	£2.1m
	50% additionality	£1.4m	£2.8m	£4.2m
Jobs created ⁶⁶	75% additionality	8,625	17,250	25,875
	50% additionality	5,750	11,500	17,250
Total value of impacts (single year)	75% additionality	£429m to £639m	£859m to £1,279m	£1,288m to £1,918m
	50% additionality	£274m to £484m	£548m to £968m	£821m to £1,451m

⁶⁵The impacts have been measured in terms of a single increase in CSB building in 2025/26. E.g. the +10k scenario measures the impact of building 20,000 CSB homes in 2025/26, compared to 10,000. Therefore, these impacts represent total impacts for a single year of building and could be counted again for any subsequent years of build.

151. Assumptions around geographical distribution make a big difference to the results because the 'land value uplift' (LVU) of new housing delivery – which captures the private as opposed to public benefit – varies significantly across England. The results are shown in Table 15.

152. The potential benefits of increasing CSB supply are large and wide ranging, depending on the growth of the sector and views on its net additionality to overall new supply. The total estimates on benefits range from £274m - £484m per annum under a +10,000 p.a., 50% additionality scenario; through to £1,288m - £1,918m under a +30,000 p.a., 75% additionality scenario.

153. These benefits largely reflect the benefit of additional housing supply (as measured by Land Value Uplift) and the CSB sector's contribution to the Government's 300K target through product diversification and filling a missing market. The overall scale of benefits will depend on the new CSB homes being built where they are most needed, and with sufficient new land being made available for this to happen. Crucially, these are annual impacts which would be repeated under sustained period of years if building at these levels were sustained.

154. The environmental benefits (the value of reduced CO₂e emissions and improved air quality

impacts) are more speculative and highly sensitive to assumptions. These range from £14.7m (£5.3m reduced energy use, £8.7m reduced CO₂e, £0.7m improved air quality) in the 10,000 p.a., 75% additionality scenario; through to £88.2m (£31.8m reduced energy use, £52.1m reduced CO₂e, £4.2m improved air quality) in the +30,000 p.a., 50% additionality scenario.

155. An interesting finding is that even with lower levels of additionality, new CSB homes can improve social welfare by being more sustainable than any standard-build homes they displace. As noted in the previous section, most conventional new build homes achieve a 'B' rating on their EPC, whereas CSB units are much more likely to achieve an 'A' rating. We have assumed that a conventional new build will have improved energy efficiency by, on average, 31% by 2025-26 compared to today's standards, in line with aspirations on the Future Homes Standard. In spite of this improvement, environmental benefits remain from building more CSB homes. The more homes that are simply displaced by CSB, the greater this potential environmental impact (but the corresponding LVU is lost as the home is no longer additional). Although these impacts are smaller than the LVU impacts, they are significant enough to potentially make the case for increasing the CSB sector even if this is at the expense of conventional build.

⁶⁶Job impacts should not be viewed as additional to the other impacts listed in the table and are provided as context. The value of economic impact is contained within the 'Land Value Uplift' (LVU) calculation. However, if the jobs were valued according to their Gross Value Added (GVA), it provides a useful validation of the LVU valuation. The GVA of the 8,625 jobs in the 75% additionality, +10,000 CSB scenario is £479m; which is in the corresponding LVU range of £415m to £625m.

Photograph: Lilac MHOS Ltd



Footnotes to Chapter one *Ensuring the right conditions:*

ⁱ Douglas Murray, *The Madness of Crowds*, Bloomsbury Continuum, London 2020

ⁱⁱ Martin Wolf, *Why Globalization Works*, Yale University Press, New Haven 2004

ⁱⁱⁱ Nicholas Boys Smith, "Where the Heart is", in *The Critic* magazine 25 June 2021

^{iv} Research by Nationwide Building Society indicates that 61% of people would like to commission a home to their own design at some point in their lives. Among 18 to 34 year-olds the figure is 80%. Among those actively looking at getting on the property ladder it is 83%.

^v Research by the Home Builders' Federation indicates that only 33% of people surveyed would be likely to consider buying a new home. 2016 *"Home Buyer Intentions and Opinions"*, Home Builders' Federation & YouGov.

^{vi} *"Our approach to thoughtful housebuilding"* Nationwide Building Society, February 2020

^{vii} The benefits of a genuinely customer-driven approach can be seen on a current scheme built by Nationwide Building Society of 239 homes in Nationwide's home town of Swindon, where the building society is developing a derelict brownfield site where no other housebuilder was prepared to build. Following an exemplary consultation process in which local people were asked what they actually wanted, planning permission was achieved without a single objection from local people.

LILAC – or Low Impact Living Affordable Community – is a co-housing community of 20 eco-build households in West Leeds. The homes and land are managed by residents through a Mutual Home Ownership Society, a pioneering financial model that ensures permanent affordability.

It is a new way of owning a stake in the housing market, designed to bring the bottom rung of the property ladder back within reach of households on modest incomes in areas where they are priced out of the housing market. It is designed to remain permanently affordable for future generations.

Members of the society are the residents who live in the homes it provides. The society and not the individuals obtain the mortgage and so borrowing is cheaper.

Acknowledgements

My first thanks are to the Prime Minister for asking me to lead this Review, at a time when there is urgent need to find new answers to questions about how we create great places with better housing of all types and tenures. I am very grateful to Robert Jenrick, Secretary of State for Housing, Communities and Local Government, and to Christopher Pincher, the Minister of State for Housing and Planning, for their generous support. At HM Treasury, the Chancellor of the Exchequer, Rishi Sunak, and Chief Secretary to the Treasury Stephen Barclay, have also been keen supporters of this project.

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**Serviced plots of land in
Herefordshire – which have
all been sold to customers**

“The clichéd belief that ‘self-builders only want a quarter to a half acre plot on its own’ is not the full story. Yes, there are those people, but the simple fact that these plots have all sold offers clear evidence

that there are far more people who want a custom-built house in a place that also offers a small community feeling, where friends and families can thrive together”.
James Buchanan, Oakwrights



Photograph: Courtesy of Oakwrights

13 serviced plots at Webb's Meadow at Lyonshall, near Kington in Herefordshire
Oakwrights and planners at Herefordshire Council are making this lovely scheme work, but have struggled with outdated planning rules that repeatedly create extra work – because the rules don't recognise that customers should come first.

This site contains a broad mix of house sizes and a very varied plot size too, from a single storey property on a small plot for a more elderly client wanting comfortable living space with a manageable and small garden, through to a larger 2 storey 4 bedroom house on a large plot for a younger growing family.

**Serviced plots of land
in Switzerland – awaiting
the next customers**



Photograph: Mario Wolf

“When we have fully opened up the housing market and the planning process to the power of consumer choice, we will see more great places being developed which are warmly welcomed by their communities, with beautiful and more spacious houses, at keener prices – and that are better designed, better built, greener and which cost less to run, which enrich the lives of the people who live there – while driving innovation and inward investment. And when afterwards we have done this, we will look back and wonder why it took us so long”. *Richard Bacon MP*